Subject: Financial Policies Update

Report to: Corporate Services Committee

Report date: Wednesday, September 14, 2022

Recommendations

1. That policy C-F-003 Tangible Capital Assets as outlined in Appendix 1 to Report CSD 45-2022 **BE APPROVED**;
2. That schedules A, B, and C to policy C-F-013 Reserve and Reserve Funds as outlined in Appendix 2 to Report CSD 45-2022 **BE APPROVED**;
3. That by-law 2017-63 Budget Control as outlined in Appendix 3 to Report CSD 45-2022 **BE AMENDED**;
4. That by-law 2019-79 Budget Planning as outlined in Appendix 4 to Report CSD 45-2022 **BE AMENDED**;
5. That $313,155 in general operating fund surplus **BE TRANSFERRED** to the Niagara Regional Housing (NRH) Owned Units reserves; and
6. That $713,435 in general operating fund surplus **BE TRANSFERRED** to the Taxpayer Relief Reserve.

Key Facts

- The purpose of this report is to propose updates to financial policies and by-laws impacted by the addition of services provided by Niagara Region or are outdated due to introduction of other recent policies.
- The recent reorganization of NRH and addition of Niagara Transit Commission (NTC) special levy in 2023 require updates to policies and by-laws to align with the new corporate structure.
- Historical adjustments to the audited financial statement after annual year-end surplus transfer recommendations were considered by Council have remained in the general operating fund and are therefore being recommended for allocation at this time.

- All changes recommended in this report look to maintain the spirit of the policies and by-laws as approved by Council, with updates to address the newly established Transit commission and create alignment between other existing policies.
- Changes to the policies are noted in the Appendices in bold font.

Financial Considerations

Changes to policies identified in recommendations 1 through 4 will have no direct financial impacts, however, as financial policies define a corporation's financial framework and controls, changes or updates to these policies will have overarching financial impacts.

Recommendations 5 and 6 result in no change to the overall accumulated surplus and there is no impact to current budgets or financial operations by completing these administrative adjustments.

Analysis

As a result of changes to business at Niagara Region, some financial policies have been impacted, requiring updates. Policies should be reviewed on a regular basis to maintain their effectiveness and relevance. Contributions to hospital construction, support of Canada Summer Games, the reorganization of Niagara Regional Housing, and the establishment of a consolidated Transit Commission, along with approval of other new policies have necessitated an update to some policies and by-laws. Policies have been reviewed for required changes; policies that require an update are itemized below, including a summary of updates.

C-F-003 – Tangible Capital Asset Policy

The existing Capital Asset Management Policy C-F-003 was established in 2009 and at the time was the only policy in place providing guidance for all things capital. In the past decade, the Region has successfully improved its financial policy framework with the introduction of Budget Control By-law, Budget Planning By-law, Asset Management Policy, and Financial Reporting & Forecasting Policy. As a result, many of these new policies address sections 1 through 6 of C-F-003 and therefore these sections are no longer required in this policy. The remaining section 7 of the policy relates to Tangible Capital Assets continues to be required but has been updated to reflect all the requirements of Public Sector Accounting Standards as well as current practices. See

Appendix 5 for the existing C-F-003 Capital Asset Management Policy and Appendix 1 for the proposed updated C-F-003 Tangible Capital Asset Policy.

C-F-013 – Reserve and Reserve Funds Policy

Since the last update of this policy in 2016, new reserves have been recommended and have begun to accumulate funds. This policy requires that to establish a new reserve the following must be established:

- a statement of purpose
- a reserve category (future liability, specified contribution, corporate stabilization, or capital)
- funding sources and funding targets if any
- beneficiary program
- periodic review plan

Schedules A through C of policy C-F-013 which itemizes all the reserves and reserve funds and documents the requirements above, have been updated for inclusions of new reserves and reserve funds and have removed reserves no longer relevant. These schedules have been updated in Appendix 2. New or changed reserves have been bolded throughout the appendix to highlight them. Additionally reserves or reserve funds that have been added or closed through budget processes or separate reports since the initial establishment of these schedules have been reflected.

In order to align with NRH 5-2021 Niagara Regional Housing Alternative Service Delivery (https://pub-niagararegion.escribemeetings.com/filestream.ashx?DocumentId=15442) which addressed the Niagara Regional Housing Alternative Service Delivery Implementation the following have also been included:

- The NRH Rent Supplements reserve has been closed and the balance transferred to the Taxpayer Relief Reserve as this is the contingency and stabilization reserve that supports the Community Services Housing Operation.
- The NRH Employee Future Benefits reserve has been closed and the balance transferred to the Niagara Region Future Benefit Costs reserve as this is the reserve that supports all regional employee future benefit costs.

- The Niagara Regional Housing Reserve has been renamed the Housing Services Reserves and redefined to outline its current purpose of funding the capital loan and grant program as well as funding housing program initiatives in the Community Services Housing Operation.

A detailed review of current reserves and reserve funds will be undertaken in a separate analysis, which will focus on refining target balances and aligning them with our current financial strategies and may include potential reserve rationalization.

By-law 2017-63 – Budget Control

The purpose of the Budget Control By-law is to set controls over the annual budget and outline the authority of Council and staff. The amendments to the by-law proposed in Appendix 3 are:

- to add a new capital variance project to address the new separate levy for NTC in section 6.5.c)ii)E. and;
- to address the review of projects for closure in section 6.9.c), previously addressed by the Capital Asset Management Policy, which better aligns to the Budget Control By-law.

These updates do not impact the purpose of the by-law.

By-law 2019-79 – Budget Planning

The purpose of the Budget Planning By-law is to establish timing of the annual budget approval, ensure transparency and sustainability, and establish expectations of staff for the development of the annual budget. The amendments to the by-law proposed in Appendix 4 are:

- to add a definition for “Special Levy” due to the establishment of Niagara Region’s second special levy for NTC, and;
- to adjust the typical schedule of budget approvals, adding a new meeting to address the special levies Waste Management and NTC.

These updates do not impact the purpose of the by-law.

Accumulated Surplus Review

The Region's Annual Consolidated financial statements outline the Region's total accumulated surplus and is broken down into various categories that include general surplus and reserves. Over a number of historical years (prior to the financial system conversion in 2016) adjustments were made on occasion to the year's results as part of the audited financial statement process which was after the transfer recommendations were considered by Council. The transactions giving rise to these generally reflected timing differences for example transactions recorded at year-end in the wrong period etc., which were reflected in the audited statements however, the change in year end surplus/deficit created was not allocated to reserves. New systems and processes in place no longer give rise to these differences.

The Region has conducted a comprehensive review of these balances and has determined that we have an opportunity to re-allocate some of the general surplus in the operating fund to allow for more transparent and consistent reporting and use. Of the $1.5 million identified as available for transfer, staff are recommending $713 thousand be transferred to the taxpayer relief reserve, $313 thousand to the NRH owned units reserves, and $568 thousand to NRH unexpended capital fund. These recommendations are in alignment with where the general surplus was originally generated from and aligns with the objectives of our operating surplus-deficit policy and reserve fund policy.

The table below summarizes the re-allocations recommended:

Re-allocation	Accumulated Surplus December 31, 2021	Reallocation Proposed	Adjusted Accumulated Surplus Going Forward
Invested in TCA	($1,632,729,856)	-	($1,632,729,856)
Unexpended Capital	(347,970,444)	(568,328)	(348,538,773)
Operating Funding	10,615,538	1,594,920	12,210,457
Contaminated Sites	576,485	-	576,485
Landfill	78,250,021	-	78,250,021

Re-allocation	Accumulated Surplus December 31, 2021	Reallocation Proposed	Adjusted Accumulated Surplus Going Forward
Employee Benefits	122,762,679	-	122,762,679
Reserves	(291,006,058)	(1,026,591)	(292,032,650)
Total	**($2,059,501,636)**	**-**	**($2,059,501,636)**

As outlined in the table there is no change to the overall accumulated surplus and there is no impact to the current budgets or financial operations by completing these administrative adjustments. After the adjustment the amount remaining in general operating fund relates solely to the hospital contribution we are paying down annually until 2040, an unfunded power dam liability and our assets held for sale.

Alternatives Reviewed

Council may elect to not make the updates recommended in this report, however this is not recommended as these are important updates that support various organizational changes and practices.

Relationship to Council Strategic Priorities

Updating financial policies and By-laws to better reflect the impact of additional services provided by the Niagara Region supports the Council Strategic Priority of Sustainable and Engaging Government.

Other Pertinent Reports

NRH 5-2021 Niagara Regional Housing Alternative Service Delivery (https://pub-niagararegion.escribemeetings.com/filestream.ashx?DocumentId=15442) - Niagara Regional Housing Alternative Service Delivery Implementation March 19, 2021

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Appendices

Appendix 1	Update to C-F-003 – Tangible Capital Assets
Appendix 2	Update to C-F-013 – Reserve and Reserve Funds schedules A-C
Appendix 3	Update to By-law 2017-63 – Budget Control
Appendix 4	Update to By-law 2019-79 – Budget Planning
Appendix 5	Current C-F-003 – Capital Asset Management Policy

Policy Owner	Corporate Services, Financial Management & Planning, Associate Director, Reporting and Analysis
Approval Body	Council
Approval Date	September 22, 2022
Effective Date	September 22, 2022
Review by Date	Every 5 years

1. Policy

Tangible capital asset (TCA) policy for the Niagara Region.

2. Purpose

This policy outlines standards and guidelines to gather and maintain information required to ensure accurate financial reporting of tangible capital assets (TCA) at the Region.

3. Scope

This policy applies to all departments, agencies, boards and commissions consolidated within the Region (i.e. excludes NPCA), and Regional employees who are responsible for the overall stewardship of tangible capital assets.

This policy applies to all tangible capital assets owned, purchased, constructed or leased (meeting the definition of a capital lease) by the Region or donated to the Region by other governments and non-governmental parties. This policy aligns with budget principles that define capital versus operating costs and all items included in the capital budget should result in a tangible capital asset.

Intangible assets are not covered by this policy.

3.1. Roles and Responsibilities

Effective and efficient TCA measurement and reporting necessitates coordination and communication of the various participants in the process.

Council:

i) Approves, by resolution, the TCA policy and its updates as required
ii) Supports ongoing efforts to continuously improve and implement the TCA policy

Treasurer and Deputy-Treasurer of Niagara Region:

i) Endorse the TCA policy and its updates as required
ii) Have the overall responsibility for the management of financial reporting of TCA's
iii) Review and report on financial information on an annual basis

Operating Departments and Agencies, Board and Commissions:

i) Review capital projects to identify assets in service and costs can be capitalized;
ii) Inform and provide information to the Capital Accounting Analyst regarding contributed assets as they occur;
iii) Provide the Capital Accounting Analyst details on the project in order to capitalize, including but not limited to, description of TCA, estimated useful life of the TCA, in service date of the TCA, location of the TCA and provide necessary supporting documentation;
iv) Notify the Capital Accounting Analyst of sales/dispositions/transfers of TCA;
v) Review assets on an annual basis and if required, notify the Capital Accounting Analyst when any of the following situations occur for an existing TCA;
   a. Asset is no longer used in the regular course of business and there are intentions to sell the asset (to be classified as asset held for sale)
   b. Asset impairment exists
   c. There is a change in the useful life of an asset

Capital Accounting Analyst:

i) Development and maintenance of an asset registry to track all TCA
ii) Supporting employees who are involved in the purchasing, acquisition, sale and maintenance of TCA to ensure the upkeep of accurate records.

3.2. Identification of Capital Assets

Tangible capital assets (TCA) are tangible (i.e. physical) assets that are acquired by construction, purchase, contribution or capital lease commitments. TCA are recorded on the financial statements as non-financial assets that have physical substance meeting the following criteria:

i) Held for use in the production or supply of good and services, for rental to others, for administrative purposes or for the development, construction, maintenance or repair of other tangible capital assets;
ii) Have a useful economic life extending beyond one year;
iii) Are to be used on a continual basis;
iv) Not intended for sale in the ordinary course of operations;
v) Cost is in excess of the thresholds established in this policy

Amounts considered betterments to an existing asset may also be recognized as an asset provided that the betterment meets the following criteria:

i) There is an increase in previously assessed physical output;
ii) There is an increase in previously assessed service capacity;
iii) Associated operating costs are lowered;
iv) There is a characteristic that is provided to an asset that did not previously exist (an upgrade or rearrangement);
v) When the useful life of the TCA is extended;
vi) The quality of output is improved

TCA will be capitalized and amortized over the assets useful life.

Assets can be recognized, measured and accounted for on an individual basis or as a group of pooled assets.

3.2.1. TCA Expenditure Recognition

An expenditure will be recognized (capitalized) as TCA when one of the following occur:

i) Possession/ownership of a purchased item;
ii) Upon substantial completion or asset is in service;
iii) Productive capacity of occupancy level reaching a specified level

3.2.2. Pooled Assets

A grouping of assets may be pooled if Niagara Region typically holds these assets until the end of their useful life and there is no significant advantage to report them on an individual basis.

Assets may be pooled into one group when the assets within that group:

i) Individually have a cost below the threshold for capitalization in 3.3.1, but cumulatively exceed this threshold;
ii) Are the same or similar in nature;
iii) Will be put into service in the same fiscal year;
iv) Are anticipated to have the same useful life and are therefore expected to be replaced in the same fiscal year.

Examples of pooled assets include IT equipment such as laptops, telephones, and audio visual equipment, residential furniture and appliances, and small equipment used for emergency and/or protective services.

Pooled assets will be recorded in the year of purchase and accounted for as a single entry on the asset registry. At the end of their useful life, pooled assets will have a deemed disposal in accordance with 3.5.3.

3.3. Measurement

Due to the size and complexity of Niagara Region's operations, thresholds are utilized in order to determine which expenditures should be capitalized or expensed.

3.3.1. TCA Thresholds for Capitalization

Expenditures that meet both the criteria of a TCA and exceed the following thresholds are to be recorded as TCA. Anything below these thresholds will be expensed.

Major Asset Category	Capitalization Threshold
Land	$nil
Building Improvements	$5,000
Buildings	$25,000
Information Technology	$5,000
Machinery and Equipment	$5,000(*)
Vehicles	$5,000
Pooled Assets	$5,000(**)

(*)Machinery and equipment capitalization threshold for the Water and Wastewater Division is $10,000 due to the materiality of their overall assets.

(**)This represents the capitalization threshold for each pool of assets. Cumulatively, the assets within each pool must have a total cost that exceeds this threshold.

3.3.2. Asset Costing

Assets will be recognized using one of the following costing methods;

3.3.2.1. Historical Cost

Typically used when assets are constructed by the Niagara Region or through direct acquisition (purchase) of an asset.

Cost of the asset may include the following:

i) Purchase price of the asset
ii) Cost to construct the asset (direct construction and/or development costs such as labour and materials, overhead costs directly attributable to the cost and development);

iii) Installation costs;
iv) Design and engineering fees;
v) Legal fees;
vi) Survey fees;
vii) Site preparation costs;
viii) Freight charges, transportation insurance costs and duties;
ix) Asset retirement obligations

Interest and other carrying charges will not be included in the historical cost of the asset.

3.3.2.2. Fair Market Value (Contributed TCA)

Assets are typically accounted for at their fair market value when the following occurs;

i) Asset is donated/transferred to the Niagara Region by a third party;
ii) Purchased for nil or a nominal value

When a TCA is acquired for nil or a nominal value, the amount of the asset to be recognized should be equal to its fair market value on the date of acquisition. Fair market value may be estimated using the going-rate on the market or an appraised value. When a fair value cannot be reasonably estimated, the asset would be recognized at its nominal value.

3.3.2.3. Net Present Value (Capital Leases)

In accordance with PSAB (PSG-2), all qualifying capital leases will be recognized on the balance sheet at the net present value of minimum lease payments provided that this amount does not exceed the leased property's fair value.

3.3.3. Amortization and Useful Life

Regardless of the cost measurement method, all assets, with the exception of land and landfill sites will use the straight-line method of amortization based on the estimate useful life of the asset.

Landfill sites are amortized using the units of production method based upon capacity used during the year.

Niagara Region uses the half-year method for recording amortization whereby 50% of the amortization is recorded in the year of acquisition and in the year of disposal.

Amortization will be calculated on the asset each year, beginning in the year that the expenditures have been recognized as an asset.

Capital leases are amortized in the same manner as if the asset was an owned asset.

Assets are amortized using their estimated useful lives as shown in the chart below:

Major Asset Category	Useful Life (in Years)
Landfill and Land Improvements	3 – 50
Building and Building Improvements	3 – 60
Vehicles	3 – 20
Machinery and Equipment	3 – 60
Water and Wastewater Infrastructure	25 – 100
Roads Infrastructure	5 – 60

3.4. Adjustments

TCA will be reviewed annually to determine if any of the adjustments are required.

Departments are to review their assets annually, at a minimum, to determine if any of the following adjustments are required.

3.4.1. Asset Impairments (Write-downs and Write-offs)

An asset is impaired (requires a write-down or write-off) when conditions indicate that the asset no longer contributes to an ability to provide goods and services, or that the value of future economic benefits associated with the asset is less than the book value of the asset.

An asset write-down is a partial reduction of the cost, accumulated amortization and as a result, the net book value of the TCA to reflect the decline in the assets value, while a write-off is a 100% reduction.

The cost of the asset will be adjusted to reflect the amount of impairment necessary. The net write-down/write-off of the asset should be accounted for in the consolidated statement of cash flows in the year of the write-down/write-off.

Impairment may occur as a result of;

i) Change in the extent or manner that the asset is used;
ii) Asset is physically damaged;
iii) Asset has been removed from service or is abandoned.

Once an impairment occurs, it will not be reversed if future circumstances change.

3.4.2. Change in Useful Life

Significant events that may include a need to revise the estimated useful life of an asset include:

i) A change in the extend or manner to which the asset is used;
ii) Removal of the asset from services for an extended period of time;
iii) Physical damage to the asset;
iv) Significant technological developments;
v) Change in the demand for services provided through use of the asset;
vi) Change in the law or environment affecting the period of time over which the asset can be used.

Changes in useful life will be made prospectively.

3.4.3. Assets Held for Sale

When an asset is no longer used for its original purpose and there is an intent to sell the asset, it is classified as a financial asset (asset held for sale) rather than a non-financial asset (tangible capital asset).

The following criteria must be met in order to be considered as an asset held for sale:

i) Council has committed to selling the asset;
ii) Asset is in a condition to be sold;
iii) There is an active market for the asset;
iv) There is a plan in place to see the asset;
v) It is reasonably anticipated that the sale of the asset will be completed within one year of the financial reporting date.

When an asset is classified as held for sale, the value will be the lesser of the net book value or fair value less costs to sell. Amortization is not recorded once classified as held for sale.

3.5. Disposal of Assets

An asset can be removed from the asset registry as a result of:

i) Sale of the asset (with or without proceeds)
ii) Scrapping the asset (no proceeds)
iii) Auto-retirement of pooled assets

In accordance with the Procurement By-Law, the respective capital reserve shall be created with the net proceeds, if any, from the disposal of surplus assets unless otherwise agreed upon.

3.5.1. Sale of Asset

When an asset is sold to a third party or scrapped the department responsible for the asset must provide the details of the nature of the transaction to the Capital Accounting Analyst.

An asset can be disposed of in its entirety or partially. In a partial disposition, a portion or percentage of the original asset is disposed of.

The difference between proceeds received for the asset (if any) and the net book value of the asset less any costs will be recorded as a gain or loss in the year in which the sale occurs.

3.5.1.1. Disposition/Sale of TCA with Trade in Value

Trade in value for disposed assets will be the assets proceeds on disposition. The resulting gain or loss on the asset will be calculated as noted above.

When a new asset is purchased, net of trade in value, the new asset will be recorded at the gross amount, not the amount net of the trade in.

3.5.2. Scrapped Assets

Scrapped assets are assets that no longer used in the regular course of business and will not be classified as assets held for sale.

There are no proceeds associated with scrapped assets and as such, any resulting loss from the disposal of scrapped assets will be recorded in the year that the asset is disposed of.

3.5.3. Auto-retired Pooled Assets

Pooled assets will have a deemed disposal at the end of their useful life. Individual disposals of assets within the pools are not typically recorded.

In the event that an individual asset within a pool is disposed of before the end of the pool's useful life, any proceeds are to be recorded as revenue and any resulting loss would be calculated similar to the gain/loss calculation of an individual asset.

3.6. Internal Transfers

As required, during the normal course of business, there may be a requirement to transfer assets between different Regional departments. These transfers are considered internal transfers and should not result in a gain or loss.

The cost and accumulated amortization of the asset(s) will be transferred from one department to the other.

3.7. Reporting Requirements for TCA

The annual audited financial statements will include a continuity schedule of assets and will disclose all major categories of asset in accordance with Public Sector Accounting disclosure requirements.

4. References and Related Documents.

List related legislation, directives, By-laws and associated procedures

4.1. Legislation, By-Laws and/or Directives

Procurement By-Law

Public Sector Accounting Standard Handbook

4.2. Procedures

None.

5. Related Policies

None.

6. Document Control

The electronic version of this document is recognized as the only valid version.

Approval History

Approver(s)	Approved Date	Effective Date

Revision History

Revision No.	Date	Summary of Change(s)	Changed by

Appendix 2 – C-F-013 Reserve and Reserve Funds Policy

Schedule A – Reserves

Category	Reserve	Purpose	Source of Funding	Funding Targets
Capital	General Capital Levy	To fund capital projects	Annual contribution from operating budget	Annual contribution at 35% of average one year's life cycle requirement. Reserve balance target is subsequent year's capital requirement.
Capital	Infrastructure Deficit	To fund capital projects	Annual contribution from operating budget	Annual contribution at 35% of average one year's life cycle requirement. Reserve balance target is subsequent year's capital requirement.
Capital (Rate Program)	Waste Management Capital	To fund the waste management capital program.	Annual contribution from operating budget. Yearend surpluses/deficits resulting from capital financing. Interest income. Project savings accumulated in the waste management capital variance reserve.	Annual contribution at 35% of average one year's life cycle requirement. Reserve balance target is subsequent year's capital requirement.

Category	Reserve	Purpose	Source of Funding	Funding Targets
Capital (Rate Program)	Wastewater Capital	To fund the wastewater capital program.	Annual contribution from operating budget. Yearend surpluses/deficits resulting from capital financing. Interest income. Project savings accumulated in the wastewater capital variance reserve.	Annual contribution at 78% of average one year's life cycle requirement. Reserve balance target is subsequent year's capital requirement.
Capital (Rate Program)	Water Capital	To fund water capital projects.	Annual contribution from operating budget. Yearend surpluses/deficits resulting from capital financing. Interest income. Project savings accumulated in the water capital variance reserve.	Annual contribution at 78% of average one year's life cycle requirement. Reserve balance target is subsequent year's capital requirement.
Corporate Stabilization	Encumbrance	Temporary Reserve to allocate year-end encumbrances.	N/A	A clearing reserve used at yearend. Zero balance expected throughout the year.

Category	**Reserve**	**Purpose**	**Source of Funding**	**Funding Targets**
Corporate Stabilization	Taxpayer Relief	To stabilize levy requirements due to unanticipated changes in operational requirements, or for budgeted one-time, non-recurring operating requirements.	Contribution from operating budget. Yearend surpluses/deficits resulting from operations (excluding capital financing).	Minimum of 10% and maximum of 15% of gross operating expenditures (excluding reserve transfers and capital costs).
Corporate Stabilization (Rate Program)	Waste Management Stabilization	To stabilize waste management program requirements due to unanticipated changes in operational requirements, or for budgeted, one-time, non-recurring operating requirements.	Contribution from operating budget. Yearend surpluses/deficits resulting from operations (excluding capital financing). Interest income.	Minimum of 10% and maximum of 15% of gross waste management operating expenditures (excluding reserve transfers and capital costs).
Corporate Stabilization (Rate Program)	Wastewater Stabilization	To stabilize wastewater program requirements due to unanticipated changes in operational requirements, or for budgeted, one-time, non-recurring operating requirements.	Contribution from operating budget. Yearend surpluses/deficits resulting from operations (excluding capital financing). Interest income.	Minimum of 10% and maximum of 15% of gross wastewater operating expenditures (excluding reserve transfers and capital costs).

Category	Reserve	Purpose	Source of Funding	Funding Targets
Corporate Stabilization (Rate Program)	Water Stabilization	To stabilize water program requirements due to unanticipated changes in operational requirements, or for budgeted, one-time, non-recurring operating requirements.	Contribution from operating budget. Yearend surpluses/deficits resulting from operations (excluding capital financing). Interest income.	Minimum of 10% and maximum of 15% of gross water operating expenditures (excluding reserve transfers and capital costs).
Future Liability	Future Benefit Costs	To fund the post retirement benefit costs of employees and retirees.	Yearend surpluses. Contributions from the operating budget.	Target balance based on the actuarial evaluation recommendations to maintain current funding level of not less than 40% of the liability.
Future Liability	Smart Growth	To fund Smart Growth projects approved by area municipalities.	N/A	To be drawn to zero balance
Future Liability	Self Insurance	To fund the deductible of insurance claims.	Yearend surpluses.	The difference between claim payments expected per actuarial evaluation and the annual budget for claim payouts.
Future Liability	Landfill Liability	To fund all end of life monitoring and maintenance costs for closed landfill sites	Annual transfer from the operating budget based on landfill liability actuarial schedule.	Between 40% and 100% of landfill liability per actuarial evaluation.

Category	Reserve	Purpose	Source of Funding	Funding Targets
Specified Contribution	Circle Route Initiatives	No identified spending priority.	Donated funds to be used for the Greater Niagara Circle Route.	To be used for the Greater Niagara Circle Route. To be drawn down to zero.
Specified Contribution	**Hospital Contribution**	**To facilitate long-term financing strategies for Regional contribution requirements to local hospital projects**	**Annual contributions from the operating budget based on the financing strategies for approved hospital requests.**	**Drawn to zero when contribution requirements met, annual balance to be based on financing strategies for approved hospital requests.**

Schedule B – ABC Reserves

Category	Reserve	Purpose	Source of Funding	Funding Targets
Capital (ABC)	Court Services Facility Renewal	To fund Court Services facility replacement or upgrades.	Annual contribution from operating budget	Annual contribution at 35% of average one year's life cycle requirement. Reserve balance target is subsequent year's capital requirement.
Capital (ABC)	Police Vehicle and Equipment Replacement	To fund the purchase of police vehicles and equipment.	Annual contribution from operating budget	Annual contribution at 35% of average one year's life cycle requirement. Reserve balance target is subsequent year's capital requirement.
Capital (ABC)	Police Capital Levy	To fund Police non debentured capital projects.	Annual contribution from operating budget	Annual contribution at 35% of average one year's life cycle requirement. Reserve balance target is subsequent year's capital requirement.
Capital (ABC)	Ontario Police Video Training Alliance (OPTVA)	To fund specific OPTVA designated programs/ purchases.	Alliance of other Police Services	
Capital (ABC)	NRH Owned Units	To be used to support capital requirements.	Annual contribution from operating budget	Annual contribution at 35% of average one year's life cycle requirement. Reserve balance target is subsequent year's capital requirement.

Category	Reserve	Purpose	Source of Funding	Funding Targets
~~Capital (ABC)~~ **Specified Contribution (ABC)**	~~Niagara Regional Housing~~ **Housing Services**	~~For longer term or exceptional needs such as capital financing and significant interest fluctuations.~~ **Funding for the Provider Capital Loan & Grant program, as well as funding to support other housing program initiatives**	**Annual contributions** & Year-end surpluses	~~Annual contribution at 35% of average one year's life cycle requirement. Reserve balance target is subsequent year's capital requirement.~~ **Balance maintained to support needs of capital loan and grant program per NRH 5-2021**
Corporate Stabilization (ABC)	Police Services Board Contingency	To address significant unforeseen issues that may develop after the year's operations have commenced and after the budget has been set. Generally should only be used of non-recurring or one-time costs.	Year-end surpluses	Minimum of 10% and maximum of 15% of gross operating expenditures (excluding reserve transfers and capital costs)

Category	Reserve	Purpose	Source of Funding	Funding Targets
Corporate Stabilization (ABC)	Police Contingency	To address significant unforeseen issues that may develop after the year's operations have commenced and after the budget has been set. Generally should only be used of non-recurring or one-time costs.	Year-end surpluses	Minimum of 10% and maximum of 15% of gross operating expenditures (excluding reserve transfers and capital costs)
Future Liability (ABC)	Police Accumulated Sick Leave	To provide a source of funding for payouts on retirement of eligible amounts for members in the Accumulative Sick Leave Plan of the Service.	Annual contribution from operating budget if budget constraints and guidance allow.	Target balance based on the actuarial evaluation recommendations to maintain current funding level of not less than 40% of the liability in conjunction with other ABC Future Benefits Reserves.
Future Liability (ABC)	Police Future Benefit Cost	To fund post retirement benefit costs of Police employees and retirees.	Annual contribution from operating budget.	Target balance based on the actuarial evaluation recommendations to maintain current funding level of not less than 40% of the liability in conjunction with other ABC Future Benefits Reserves.

Category	Reserve	Purpose	Source of Funding	Funding Targets
Future Liability (ABC)	Police WSIB	To fund future Workers' Compensation payments as a result of current claims.	Annual contribution from operating budget.	Target balance based on the actuarial evaluation recommendations to maintain current funding level of not less than 40% of the liability in conjunction with other ABC Future Benefits Reserves.
Capital (ABC)	**Transit Capital**	**To fund the transit commission capital program.**	**Annual contribution from operating budget. Yearend surpluses/deficits resulting from capital financing. Interest income. Project savings accumulated in the transit capital variance reserve.**	**Annual contribution at 35% of average one year's life cycle requirement. Reserve balance target is subsequent year's capital requirement.**
Corporate Stabilization (ABC)	**Transit Stabilization**	**To stabilize transit requirements due to unanticipated changes in operational requirements, or for budgeted one-time, non-recurring operating requirements.**	**Contribution from operating budget. Yearend surpluses/deficits resulting from operations (excluding capital financing).**	**Minimum of 10% and maximum of 15% of gross transit operating expenditures (excluding reserve transfers and capital costs).**

Category	Reserve	Purpose	Source of Funding	Funding Targets
Future Liability (ABC)	**Transit Future Benefit Costs**	**To fund transit post retirement benefit costs of employees and retirees.**	**Yearend surpluses. Contributions from the operating budget.**	**Target balance based on the actuarial evaluation recommendations to maintain current funding level of not less than 40% of the liability.**

Schedule C – Reserve Funds

Category	Reserve	Purpose	Source of Funding	Funding Targets
Deferred Revenues	Development Charges - Emergency Medical	Legislated under the Development Charges Act. To fund designated Emergency Medical Services capital projects.	Developer contributions Interest income	Activity determined based on Development Charges by-law and annual budget process.
Deferred Revenues	Development Charges – General Government	Legislated under the Development Charges Act. To fund growth related capital costs.	Developer contributions Interest income	Activity determined based on Development Charges by-law and annual budget process.
Deferred Revenues	Development Charges – Police Services	Legislated under the Development Charges Act. To fund designated Police Services capital projects.	Developer contributions Interest income	Activity determined based on Development Charges by-law and annual budget process.
Deferred Revenues	Development Charges – Roads	Legislated under the Development Charges Act. To fund designated transportation services capital projects.	Developer contributions Interest income	Activity determined based on Development Charges by-law and annual budget process.
Deferred Revenues	Development Charges – Sewer	Legislated under the Development Charges Act. To fund designated wastewater services capital projects.	Developer contributions Interest income	Activity determined based on Development Charges by-law and annual budget process.

Category	Reserve	Purpose	Source of Funding	Funding Targets
Deferred Revenues	Development Charges - Water	Legislated under the Development Charges Act. To fund designated water services capital projects.	Developer contributions Interest income	Activity determined based on Development Charges by-law and annual budget process.
Deferred Revenues	~~Federal Gas Tax~~ **Canada Community-Building Fund**	Funds are used for disbursements in accordance with the terms of the Municipal Funding Agreement.	Federal Government contributions received through AMO.	Based on annual contributions from the Federal Government
Deferred Revenues	Provincial Gas Tax	Used to fund transit related operating & capital costs in accordance with the terms of the funding agreement.	Provincial Gas Tax received from Province based on funding formula	Funding from Provincial Gas Tax received.
Deferred Revenues	**Development Charges – Long-Term Care**	**Legislated under the Development Charges Act. To fund designated senior services capital projects.**	**Developer contributions Interest income**	**Activity determined based on Development Charges by-law and annual budget process.**
Deferred Revenues	**Development Charges – Courts Services**	**Legislated under the Development Charges Act. To fund designated Courts Services capital projects.**	**Developer contributions Interest income**	**Activity determined based on Development Charges by-law and annual budget process.**

Category	Reserve	Purpose	Source of Funding	Funding Targets
Deferred Revenues	**Development Charges – Health**	**Legislated under the Development Charges Act. To fund designated health services capital projects.**	**Developer contributions Interest income**	**Activity determined based on Development Charges by-law and annual budget process.**
Deferred Revenues	**Development Charges – Social Housing**	**Legislated under the Development Charges Act. To fund designated social housing capital projects.**	**Developer contributions Interest income**	**Activity determined based on Development Charges by-law and annual budget process.**
Deferred Revenues	**Development Charges – Waste Diversion**	**Legislated under the Development Charges Act. To fund designated waste diversion capital projects.**	**Developer contributions Interest income**	**Activity determined based on Development Charges by-law and annual budget process.**
Deferred Revenues	**Canada Summer Games Park**	**To fund costs outlined in the Canada Summer Games Park lifecycle report**	**Equal contributions from the four consortium funding partners**	**Based on section 11.2 (a) of the Consortium and Co-tenancy agreement subject to any additional funds identified by the Canada Summer Games Park lifecycle report**
Deferred Revenues	**Development Charges - Transit**	**Legislated under the Development Charges Act. To fund designated water services capital projects.**	**Developer contributions Interest income**	**Activity determined based on Development Charges by-law and annual budget process.**

THE REGIONAL MUNICIPALITY OF NIAGARA

BY-LAW NO. 2017-63

A BY-LAW TO DEFINE BUDGET CONTROL FOR THE REGIONAL MUNICIPALITY OF NIAGARA

WHEREAS Section 224(d) of the Municipal Act, 2001, S.O. 2001, c. 25, as amended, states that it is the role of council to ensure that administrative policies, practices and procedures and controllership policies, practices and procedures are in place to implement the decisions of council;

WHEREAS Section 289(1) of the Municipal Act, 2001, S.O. 2001, c. 25, as amended, requires that for each year, The Regional Municipality of Niagara, in the year or the immediately preceding year, prepare and adopt a Budget including estimates of all sums required during the year; and,

WHEREAS the Council of The Regional Municipality of Niagara has deemed it desirable to set out its policies with respect to the financial control of the Budget in this By-law;

NOW THEREFORE the Council of The Regional Municipality of Niagara enacts as follows:

1. PURPOSES, GOALS AND OBJECTIVES

1.1. Establish financial controls while allowing flexibility to alter plans as economic and political circumstances or service demands change, and maintaining stability for the taxpayers of Niagara;

1.2. Establish the appropriate authority required by Regional staff to manage Council-approved budgeted resources for Operating Programs, Operating Projects and Capital Projects;

1.3. Ensure that the Region’s resources are utilized for the purposes intended through the approval of the annual Operating and Capital Budgets;

1.4. Maintain public accountability and transparency;

1.5. Ensure alignment with Regional Council’s strategic priorities.

1.6. In order to achieve the preceding purposes, goals and objectives of this By-law it is important that all persons involved in Niagara Region Budget process abide by the requirements of this By-law.

2. DEFINITIONS

2.1. For the purposes of this By-law:

a) "ABCs" means all agencies, boards, commissions and other legal entities that report to and/or are funded directly or indirectly by Niagara Region and as a result impact Niagara Region's Budget process;

b) "Act" means Municipal Act, 2001, S.O. 2001, c. 25;

c) "Base Budget" means the final approved annual Budget which resides in the Hyperion budgeting system.

d) "Budget" means an estimate/plan to allocate resources in advance for the maximum benefit of stakeholders and, as the context requires, refers to the Budget of Niagara Region, a Capital Project, an Operating Project, or a division or other administrative segment of Niagara Region, to which a section or rule within this By-law applies;

e) "Budget Adjustment" means a Budget (Operating Programs and Operating Projects) Adjustment or Budget (Capital) Adjustment or both as applicable to the context of the section in which the term is used;

f) "Budget Amendment" means a change to the Operating or Capital Budget that results in an increase to expenses funded by Reserves or an increase in the Net Tax Levy for the Operating Budget and an increase to expenses funded by Reserves or debt financing for the Capital Budget;

g) "Budget (Operating) Adjustment" means a change in the allocation of Budget resources for Operating Programs and Operating Projects from one Dept ID or account combination to another. A Budget Adjustment must be net zero; it cannot increase or decrease the Net Tax Levy or Net Rate Requisition and can be applied to the Working, Base or Commitment Budget;

h) "Budget (Capital) Adjustment" means a change to the Budget for a Capital Project, excluding a Budget Amendment as defined in this By-law, which occurs outside the annual Capital Budget approval process. A Budget Adjustment cannot increase the use of Reserves or debt;

i) "Budget (Operating) Amendment" means a change to the Operating Budget that results in an increase to expenses funded by Reserves or an increase in the Net Tax Levy;

j) "Budget (Capital) Amendment" means a change to the Capital Budget which results in an increase to expenses funded by Reserves or debt financing.

k) "Budget Owners" means any Niagara Region staff responsible for an Operating or Capital Budget (Dept ID/or project).

l) "Capital Budget" means a multi-year plan based on the estimated expenditures and offsetting sources of financing for a Capital Project;

m) "Capital Project" means a project during which expenditures are incurred that result in the creation of a tangible capital asset. The minimum dollar value of a project to be considered capital is defined in the Budget guidelines;

n) "CV Project" means a Capital Variance Project which is the accumulation of unused monies originally budgeted to specific Capital Projects and subsequently transferred to a CV Project in accordance with subsection 6.6 as an alternative means of managing unforeseen capital costs.

o) "CAO" means the Chief Administrative Officer of Niagara Region, his/her Designate or any successor position thereto;

p) "Commissioner" means the head of a department of Niagara Region;

q) "Commitment Budget" means the encumbrance Budget loaded into the financial system which includes the Objects of Expenditure (OE) subject to Commitment Control. These OEs include 41000AB-Administrative, 44000AB-Operational and Supply, 50000AB-Ocupancy and Infrastructure, 52000AB- Equipment, Vehicles and Technology, 54000AB-Community Assistance, 56000AB-Partnership, Rebate, Exemption and the Work in Process account 18000;

r) "Corporate Leadership Team" means a team comprised of Niagara Region's Commissioners and CAO whose function is to provide oversight of and leadership to all departments and services at Niagara Region and bring forward recommendations and advice to Council and associated committees, or such other leadership as Niagara Region deems to oversee budgetary control;

s) "Council" means the Council of The Regional Municipality of Niagara;

t) "Court Services Program" means the services, including administration, that Niagara Region, as agent, is responsible to provide on its own behalf and on behalf of the Local Area Municipalities in order to facilitate the operation of the Provincial Offences Court. All such services are to be in accordance with the joint operating agreement made between the member municipalities dated April 26, 2000 (as amended from time to time);

u) "Dept ID" means the form of identification in the financial accounting system which enables the tracking of information according to the cost breakdown of Niagara Region and the ABCs;

v) "Encumbrance" means an expenditure amount for which there is a legal obligation to spend in the future (e.g. purchase order);

w) "Fiscal Year" means the reporting period for a particular legal entity or program. Niagara Region's Fiscal Year is January 1 to December

31. The Budget for Niagara Region's Fiscal Year may incorporate other programs, grants or other obligations that may be required to report a Fiscal Year defined within different parameters;

x) "FTE" means the equivalent of a full-time employee providing service throughout a Fiscal Year. Depending on the category of employee and nature of that employee's service, the fixed number of hours of work tied to an FTE may vary. As per existing union and employee contracts with Niagara Region, the following annual hours are currently considered to comprise an FTE for different categories of employees:

i) 35-hour work week X 52 weeks = 1820 hours = 1 FTE
ii) 40-hour work week X 52 weeks = 2080 hours = 1 FTE
iii) 37.5-hour work week X 52 weeks = 1951 hours = 1 FTE

y) "Local Area Municipalities" means the municipalities of the Town of Fort Erie, Town of Grimsby, Town of Lincoln, City of Niagara Falls, Town of Niagara-on-the-Lake, Town of Pelham, City of Port Colborne, City of St. Catharines, City of Thorold, Township of Wainfleet, City of Welland, and the Township of West Lincoln;

z) "Niagara Region" means The Regional Municipality of Niagara;

aa) "NPCA" means the Niagara Peninsula Conservation Authority;

bb) "NRH" means Niagara Regional Housing;

cc) "NRPS" means the Niagara Regional Police Service;

dd) "Operating Budget" means a financial plan of current operations that encompasses both estimated revenues and expenditures for a specific period, normally a Fiscal Year;

ee) "Operating Program" means the sum of activities involved in the achievement of a specific objective which is represented by a portion of one or more Dept IDs of a division/department/operating unit;

ff) “Operating Project” means a project that is funded from operating revenue, is not Capital in nature, and is incorporated into an Operating Program;

gg) “Program” means the sum of activities involved in the attainment of a specific objective which is represented by a portion of one or more DEPTIDs of a division/department/operating unit.

hh) “PSB” means the Regional Municipality of Niagara Police Services Board;

ii) “Rate Requisition” means the Council-approved invoicing to Local Area Municipalities to be flowed through to residents and businesses for the cost of water, wastewater and waste management services;

jj) “Reserve” means an allocation of accumulated net revenue that does not require the physical segregation of money or assets;

kk) “Reserve Fund” means an obligatory fund that is segregated and restricted to meet a specific purpose. Reserve Funds are required by legislation which stipulates that certain contributions received for special purposes’ be segregated from the general Reserves of the Region.

ll) “Special Circumstance” means:

- i) an event that is exceptional or could not be foreseen and is likely to pose a threat to the health, safety or welfare of the public;
- ii) an event that, unless immediately addressed, is likely to cause significant loss or damage to property;
- iii) an event that has disrupted any essential service that needs to be re-established without delay; or
- iv) an emergency as defined in the Emergency Management Act, R.S.O. 1990, c. E.8, as amended, or any successor legislation thereto;

mm) “Tax Levy” means the portion of Niagara Region costs that are unfunded by other levels of government or other sources and requires funding from the residents of the municipality through property taxation;

nn) “Temporary Staff Position” means a staff position which has a defined period and is not considered permanent;

oo) “Total Available Project Budget” means, in the situation where an Operating Project will span more than one Fiscal Year for Niagara Region, the total cost of the Operating Project as set forth in a business case for that Operating Project which is required to be approved by Council, as required, pursuant to subsection 6.2(a)(ii);

pp) “Treasurer” means the Treasurer for The Regional Municipality of Niagara as appointed by by-law;

qq) “Variance” means a situation where the actual recorded financial results differ from planned financial results as reflected in the Budget;

rr) “Working Budget” means the Budget that is maintained throughout the year as a basis of comparison when reporting current year actuals. The Working Budget is comprised of the Council approved Budget, Operating Program changes and any Budget Adjustments. The change must net to zero as the Net Tax Levy and Net Rate Requisition cannot be changed without a Budget Amendment

2.2. Any defined term herein may be referenced in the plural as the context requires;

3. SCOPE

3.1. This By-law applies to all of Niagara Region’s departments and to Niagara Region’s directions to the ABCs that report to, or form part of the Budget approval process at Niagara Region.

3.2. For further clarity when requesting information that impacts Niagara Region budgets:

a) NRH, pursuant to section 2 of the operating agreement between NRH and Niagara Region dated January 23, 2009 (as amended from time to time), shall be requested to provide the NRH Budget in compliance with the requirements of this By-law. This By-law does not preclude NRH from having additional reporting requirements to their respective board.

b) When acting as an agent to carry out the Court Services Program, Niagara Region shall utilize the guiding principles of this By-law. All decisions of Niagara Region regarding the Court Services Program will be made in accordance with the requirements of any agreements with the Local Area Municipalities governing the Court Services Program.

c) Council has no approval authority over the NPCA Budget, but Niagara Region shall request that the NPCA comply with subsection 6.1 related to timing of Budget submission in order that tax rates may be calculated by Niagara Region in alignment with tax policy and the timing of the billing of taxes by the Local Area Municipalities.

d) Council approves the total Budget allocated for the PSB and section 39 of the Police Services Act, R.S.O. 1990, c. P.15 permits Niagara Region to require the PSB submit operating and capital estimates to Council in a format and timeframe approved by Council. Accordingly, Niagara Region staff shall convey to the PSB that the format and timing approved by Council are as found within subsections 6.1 and 6.2 (a)(i to vi) of this By-law.

4. ENFORCEMENT

4.1. The Budget process, administration and any associated reporting shall be completed in compliance with this By-law and the willful disregard by an employee of Niagara Region or a failure to attempt to comply to the best of that employee's knowledge and ability will be considered a failure to meet the requirements of that person's employment with attendant consequences.

4.2. To ensure the prudent fiscal management of Niagara Region's financial resources, this By-law shall be enforced in a manner that supports Niagara Region's policies and By-laws, and applicable regulations, legislation, and accounting standards referenced below or in any successor legislation, policies or by-laws thereto, which include, but are not limited to:

a) Municipal Act, 2001, S.O. 2001, c. 25

b) Police Services Act, R.S.O. 1990, c. P.15

c) Conservation Authorities Act, R.S.O.1990, c. C.27

d) Development Charges Act, 1997, S.O. 1997, c.27

e) Public Notice C3.P09

f) Procurement Policies and Procedures By-law 02-2016

g) User Fee By-law (as may be amended from time to time)

h) Reserve and Reserve Funds Policy C4-002

i) Surplus/Deficit Policy C3.005

j) Capital Asset Management Policy C3.C16

k) Corporate Delegation of Authority C3.C21

l) Canadian Public Sector Accounting Standards

m) Other provincial legislation that mandates the responsibility of the Treasurer for the discharge of financial duties

5. GENERAL PRINCIPLES

5.1 When determining specific rules and requirements in this By-law the following principles provide guidance:

a) Operating and Capital Budgets are approved annually by Council.

b) Regional staff are authorized to carry out the day to day business of Niagara Region within the limits of, as approved in the Operating and Capital Budgets, subject to all Niagara Region By-laws and pursuant to the day to day administrative direction and guidance of the CAO;

c) Budgets should be prepared to provide sufficient resources to administer any related By-laws or responsibilities in the most efficient way.

d) Budget planning, administration and financial management are a primary responsibility of the Corporate Leadership Team.

6. BUDGETARY RULES

6.1 The following rules shall be followed to prepare and submit a Budget calendar:

a) The Treasurer shall prepare and submit an annual Budget calendar to the Budget Review Committee of the Whole (BRCOTW) or any other committee as directed by Council, for recommendation to Council for approval. The Budget calendar shall at a minimum include the dates for the review of the Operating, Capital (both rate and levy), and ABCs' Budgets.

6.2 The following rules shall be followed to prepare and submit an annual Budget:

a) The Operating and Capital Budget shall be submitted annually to Council by the Region's Treasurer to establish the Region's funding or levy pursuant to Niagara finance policies and in alignment with the Region's Enhanced Financial Management Service and shall include:

i) Required information related to all Niagara Region departments and ABCs for which Niagara Region provides funding and/or levies taxes on their behalf.

ii) Both an Operating and Operating Projects Budget which details and/or includes:

A. Financing sources, which may include transfers from Reserves, deferred revenues, user fees, subsidies from other levels of government, grants, donations and cost sharing;

B. Expenditures required in-year for Operating Program delivery which may include compensation, administrative, operational and supply, occupancy and infrastructure, equipment, vehicles and technology expenses, community assistance, partnership, rebate, exemption, and financial expenditures;

C. Operating business case(s) for the initiation of Niagara Region Operating Project(s) that is/are to be financed from the Operating Budget.

iii) A Capital Budget including:

A. Expenditures and financing sources for tangible capital asset acquisition, rehabilitation and replacement.

B. Replacement of existing assets based on asset management plans.

C. Financing sources which may include transfers from Reserves, deferred revenues, debentures, grants, donations and cost sharing.

D. Capital business case(s) for the initiation of the Capital Project(s) that rely on Niagara Region Reserves or debt.

iv) A multi-year operating forecast.

v) A multi-year capital forecast.

vi) A summary of the permanent and temporary staff complement for information.

vii) Business cases for Operating Program changes for the current year including business cases for any recommended positions in the Budget that will increase Niagara Region's FTE staff complement.

viii) The reporting of debt and Reserves as determined by Management.

ix) A report on any expenses excluded, allowable as per Ontario Regulation 284/09 “Financial Disclosure Requirements”.

6.3 The following rules shall be followed to prepare and submit expenditures prior to Budget approval:

a) Prior to Council’s approval of the Operating Budget by-law, a current year’s expenditures may be incurred if a Budget for a similar item existed in the previous year’s Operating Budget and the expenditure is at the same service level as the prior year and does not exceed 50 per cent (50%) of the amount appropriated in the previous year’s Operating Budget.

b) Expenditures prior to Council’s approval of the consolidated Capital Budget by-law may be permitted if an individual Capital Project is deemed a priority by Council and specifically approved by Council in advance of the general Capital Budget by-law.

c) Expenditures prior to Council’s approval of the consolidated Operating Budget by-law for an Operating Project may be permitted if an individual Operating Project is deemed a priority by Council and specifically approved by Council in advance of the general Operating Budget by-law.

6.4 The following rule shall be followed to establish Budget flexibility within an approved Budget:

a) A corporate allocation for strategic initiatives may be established annually, subject to Council’s approval, to provide flexibility to fund new in-year operating or capital initiatives. Allocations of the funds will be approved by Council as a Budget Adjustment and expended in accordance with the Purchasing By-law.

6.5 The following rules shall be followed when preparing and submitting Budget Adjustments:

a) General guiding principles applicable to Budget Adjustments:

i) The annual planned allocation of resources to Operating Programs, services and projects is based on a set of assumptions that may not always match actual results. Thus, Variances between the Budget and the actual expenditures will exist. Commitment Budgets are managed at the divisional level in Operating Budgets and at the project level in Capital Budgets. Budget Owners have the authority to manage their approved Budgets within these levels; however, from time to time the Budgets for some line accounts may be restated to reflect the current state of operations.

ii) Budget Adjustments cannot have an effect on the Council approved Tax Levy or Rate Requisitions;

iii) Budget Adjustments cannot have an effect on transfers from Reserves and debt financing except in the following circumstance:

A. Where the balance in a Reserve is identified for debt substitution for a Capital Project, a Budget Adjustment can be done to transfer from the Reserve to the Capital Project. This will lower the debt financing and increase the Reserve financing for an equal amount and can be done at any time during the Fiscal Year subject to Council's approval.

iv) Budgets should include estimated grants and other revenue sources. Where practical, shortfalls in revenue should be mitigated by restraint in spending for the related Operating Program area. Revenue shortfalls shall not be recorded as Budget Adjustments, but will be reported in the quarterly financial updates with the strategy to mitigate at a corporate level.

b) Budget (Operating) Adjustments are permitted in the following circumstances:

i) To adjust the Budgets between departments with the approvals as per Appendix B, the "Corporate Delegation of Authority for Budget Adjustments and Amendments" up to $1 million. Budget Adjustments greater than $1 million require Council's approval.

ii) To adjust the Budget between divisions within a Niagara Region department or within NRH with the approval of the Commissioner up to $1 million. Amounts in excess of $1 million require the approval of Council or the respective Board.

iii) To adjust the Budget for the effect of FTE changes as per the Corporate Delegation of Authority Policy.

iv) To adjust the Budget if a spending obligation in the form of a purchase order, contract or other legally binding commitment has been made against the current year's Operating Budget but the product or services will not be received until the following year. In this case Budget funds are transferred to the Encumbrance Reserve and Encumbrances approved as part of the year-end transfer report will be deemed Budget Adjustments for the year goods or services are received.

v) Where an in-year Special Circumstance occurs that was not previously identified, and is recommended not to be delayed until a subsequent Budget it will be accommodated through a budget adjustment with the approval of Commissioner (ERMS) and Treasurer. Appendix B, the "Corporate Delegation of Authority for Budget Adjustments and Amendments" is to be followed for approval of the Special Circumstance Budget Adjustments.

vi) To adjust the Budget for the use of year-end surpluses as approved by Council in the year-end transfer report.

vii) If the funding source for a Capital Project is identified in the Operating Budget in-year (i.e. after Budget approval), a Budget Adjustment is required in both the Capital Budget (to reflect the transfer from the operating fund) and the Operating Budget (to reflect the transfer to the capital fund). Budget Adjustments less than $250,000 for a new in-year Capital Project funded from the Operating Budget are to be approved by the Commissioner and Treasurer. Budget Adjustments greater than $250,000 for a new in-year Capital

Project funded from the Operating Budget are to be approved by Council.

viii) To adjust the Budget for an approved multi-year Operating Project when the annual costs are forecast to exceed the annual Budget, but the cumulative expenditures will not exceed the total project Budget.

ix) Refer to subsection 6.6(a) for Operating Program and Operating Project Budget Adjustments for in-year receipt of funding.

c) Budget (Capital) Adjustments are permitted in the following circumstances:

i) To reduce a Capital Project Budget and transfer the Budget reduction amount to the applicable CV Project, specifically:

A. When a Capital Project is in the warranty period, any remaining Budget will be reduced through a Budget (Capital) Adjustment to the applicable CV Project. During the warranty period, the Capital Project is permitted to draw on CV Project funds up to the amount of the original Budget reduction for any warranty expenditure without further approvals. Where warranty expenditures exceed the Budget reduction by an amount less than $250,000, the Budget may be adjusted through the applicable CV Project. Where warranty expenditures exceed the $250,000 CV Project limitation, the rules on Budget (Capital) Amendments shall apply.

B. When a Capital Project is complete, any remaining Capital Budget that is no longer required will be reduced through a Budget (Capital) Adjustment to the applicable CV Project;

C. When a portion of a Capital Project Budget for a Capital Budget that is neither complete nor in the warranty period is no longer required because of changed circumstances, any remaining Budget will be reduced through a Budget (Capital) Adjustment to the applicable CV Project;

ii) Separate CV Projects may be created in accordance with subsection 6.5(c) or for Capital Projects arising from each of the following sources:

A. Capital Projects associated with wastewater management which shall be referred to as CV Sewer;

B. Capital Projects associated with water management which shall be referred to as CV Water;

C. Capital Projects associated with waste management which shall be referred to as CV Waste;

D. Capital Projects funded through the Levy shall be referred to as CV Levy;

E. **Capital Projects associated with Transit Commission management which shall be referred to as CV Transit;**

iii) To adjust the Budget for a Capital Project with a funding shortfall of less than $250,000 with the approval of the Commissioner and Treasurer where funding is available from the applicable CV Project or for funding shortfalls greater than $250,000 with the approval of Council.

iv) To adjust the Capital Budgets for NRPS, NRH and Court Services Programs using a draw on the CV Project. Any amount drawn on the CV Project by an ABC is to be repaid by way of the next close-out of the ABC Capital Projects. The approval thresholds in subsection 6.5(c)(i)(A) will apply.

v) Where an in-year Special Circumstance occurs that was not previously identified, and is recommended not to be delayed until a subsequent Budget, it will be accommodated through a budget adjustment with approval of the Commissioner (ERMS) and Treasurer. The Procurement By-law purchasing and execution authority for Special Circumstances is to be followed for approval of the Special Circumstance Budget Adjustments.

vi) Where a funding source for an Operating Project is identified in the Capital Budget in-year (i.e. after Budget approval), a Budget Adjustment is required in both the Operating Budget to reflect the transfer from the capital fund and in the Capital Budget to reflect the transfer to the operating fund. Budget Adjustments less than $250,000 for a new in-year Operating Project funded from the Capital Budget are to be approved by the Commissioner and Treasurer. Budget Adjustments greater than $250,000 for a new in-year Operating Project that are funded from the Operating Budget require Council's approval.

vii) Refer to subsection 6.6(b) for Capital Budget Adjustments for in-year receipt of funding.

6.6 The following rules shall be followed to prepare and submit Budget Adjustments (Capital and Operating) for in-year receipt of funding:

a) In-year receipt of grant funding for Operating Programs and Operating Projects may result in the creation or broadening in scope of an Operating Program or Operating Project in accordance with and when required by, with the terms of the funding received. If the funding is not included in the Council-approved annual Budget, with the approval of the Commissioner and Treasurer (for amounts not exceeding $1 million), the Budget will be adjusted to reflect the additional revenue and expenses. Amounts exceeding $1 million will be adjusted with Council's approval. The Operating Program or Operating Project end date must coincide with the end date of the funding to ensure alignment with the grant requirements and adjustments will be made as required to defer revenue and adjust future year Budgets. Any surplus funds at the end of the project must be managed in accordance with the terms of the grant funding.

b) In-year receipt of funding for Capital Projects may result in the creation or broadening in scope of a Capital Project in accordance with and when required by the terms of the funding received. If the funding is not included in the Council-approved annual Budget, with the approval of the Commissioner and Treasurer (for amounts not exceeding $1 million) a Budget Adjustment will be made to reflect the additional revenue and expenses. Amounts exceeding $1 million will be adjusted with Council's approval.

6.7 The following rules shall be followed to prepare and submit Budget Amendments:

a) Budget (Operating) and Budget (Capital) Amendments exclude adjustments as defined above, require Council's approval and should result from extraordinary situations, including but not limited to Special Circumstances.

b) A Budget Amendment results in an increase to operating or capital expenses funded by Reserve (excluding deferred revenue), debt or an increase to the Tax Levy or Rate Requisition.

c) A report is required to be submitted to either the respective standing committee or Council for consideration of the approval of the amendment.

d) All Budget Amendments require notice to be provided in accordance with Niagara Region's Public Notice Policy.

e) When a Budget Amendment occurs, no modifications will be required to the Budget by-law unless the Tax Levy, debt, or Rate Requisition amount is affected.

f) Any Budget Amendments for FTEs are to be approved in accordance with the Corporate Delegation of Authority Policy.

6.8 The following rule shall be followed to prepare and submit Special Circumstance Expenditures:

a) In the event of a Special Circumstance operating or capital purchase, the Budget Owner must ensure compliance with Niagara Region's Procurement Policies and Procedures By-law.

6.9 The following rule shall be followed to prepare and submit in-year Budget reporting:

a) All in-year Budget Adjustments are reported to Council via a quarterly financial report to the Corporate Services Committee.

b) Operating, capital, debt and Reserve actual results in comparison to Budget and forecasts for the balance of the year will be reported to Council via a quarterly financial report. Forecast will be used to facilitate Budget Adjustments or Budget Amendments and opportunities to mitigate revenue shortfalls.

c) **Congruent to the Financial Reporting & Forecasting policy, Operating Departments & Agencies, Boards and Commissions are to identify projects for closure. As part of this process, inactive projects and recurring capital projects will be assessed for the following:**
   i) **Inactive Projects: A project for which there are no transactions for a period of 24 months or more is considered inactive. When a project is determined to be inactive, it will be recommended for closure. If the project manager determines that it should not be closed, FMP must be provided with a written rationale for maintaining the project.**
   ii) **Recurring (Annual) Capital Projects: Recurring Capital Projects will be recommended for closure 12 months after the year end for which they were approved. This will allow sufficient time for payments to be processed on project commitments remaining at year end. If the project manager determines that it should not be closed, FMP must be provide with a written rationale for maintaining the project.**

7. RESPONSIBILITIES

7.1 Responsibilities associated with the Budget process shall be carried out in accordance with Appendix A attached hereto and forming part of this Bylaw.

8. REGIONAL COUNCIL DISCRETION

8.1 Nothing in this By-law, including all delegations of authority included herein, shall fetter the absolute discretion of Regional Council to direct staff to do a Budget Adjustment or Budget Amendment on such terms and conditions as may be determined by Council.

9. SEVERABILITY

9.1 If any Section or Sections of this By-law or parts thereof are found by an adjudicator of competent jurisdiction to be invalid or beyond the power of Council to enact, such Section or Sections or parts thereof shall be deemed to be severable and all other Sections or parts of the By-law shall be deemed to be separate and independent there from and shall continue in full force and effect unless and until similarly found invalid or beyond the power of Council to enact.

10. SHORT TITLE

10.1 The short title of this By-law is “Budget Control By-law”.

11. BY-LAW REVIEW

11.1 The Treasurer shall review the effectiveness of this By-law at least every five (5) years and report to Council as necessary.

12. EFFECTIVE DATE

12.1 This By-law shall come into force and effect on the day upon which it is signed.

THE REGIONAL MUNICIPALITY OF NIAGARA

Alan Caslin, Regional Chair

Laura Bubanko, Regional Clerk

Passed: July 20, 2017

THE REGIONAL MUNICIPALITY OF NIAGARA

BY-LAW NO. 2019-79

A BY-LAW TO DEFINE BUDGET PLANNING REQUIREMENTS FOR THE REGIONAL MUNICIPALITY OF NIAGARA AS AMENDED BY BY-LAW NO. 2020-84

WHEREAS Section 224(d) of the Municipal Act, 2001, S.O. 2001, c. 25, as amended, states that it is the role of council to ensure that administrative policies, practices and procedures and controllership policies, practices and procedures are in place to implement the decisions of council;

WHEREAS Section 289(1) of the Municipal Act, 2001, S.O. 2001, c. 25, as amended, requires that for each year, The Regional Municipality of Niagara, in the year or the immediately preceding year, prepare and adopt a Budget including estimates of all sums required during the year; and,

WHEREAS the Council of The Regional Municipality of Niagara has deemed it desirable to set out its policies with respect to the development of the Budgets in this By-law

NOW THEREFORE the Council of The Regional Municipality of Niagara enacts as follows:

1. PURPOSES, GOALS, AND OBJECTIVES

   1.1. Establish the timing of annual budget approval as predictable and sufficient for obtaining Council approval.

   1.2. Ensure sustainability of Niagara Region's level of service.

   1.3. Ensure transparency in the communication of budget planning.

   1.4. Ensure alignment with Regional Council's strategic priorities.

   1.5. Establish expectations of staff for the development of the annual budget.

   1.6. In order to achieve the preceding purposes, goals and objectives of this By-law it is important that all persons involved in Niagara Region Budget process abide by the requirements of this By-law

   1.7. Establish social determinants of health as a consideration in program and budget decisions

2. DEFINITIONS

2.1. For the purposes of this By-Law:

a) “AARI” means average annual renewal investment;

b) "ABCs" means all agencies, boards, commissions and other legal entities that report to and/or are funded directly or indirectly by Niagara Region and as a result impact Niagara Region's Budget process;

c) "Act" means Municipal Act, 2001, S.O. 2001, c. 25;

d) “Base budget” means the budget to maintain current service levels;

e) “BRCOTW” means the Niagara Region’s Budget Review Committee of the Whole;

f) “Capital Budget” means a multi-year plan based on the estimated expenditures and offsetting sources of financing for a Capital Project;

g) “Capital Project” means a project during which expenditures are incurred that result in the creation of a tangible capital asset;

h) “Council” means the Council of The Regional Municipality of Niagara;

i) “Departmental budget” means the budget of an operating unit overseen by a Commissioner or equivalent;

j) “FTE” means the equivalent of a full-time employee providing service throughout a Fiscal Year. Depending on the category of employee and nature of that employee’s service, the fixed number of hours of work tied to an FTE may vary. As per existing union and employee contracts with Niagara Region, the following annual hours are currently considered to comprise an FTE for different categories of employees:

   i. 35-hour work week X 52 weeks = 1820 hours = 1 FTE

   ii. 40-hour work week X 52 weeks = 2080 hours = 1 FTE

   iii. 37.5-hour work week X 52 weeks = 1951 hours = 1 FTE;

k) “**General** Levy” means the net cost of Niagara Region services that requires funding from the residents of the municipality through property taxation;

l) “MPAC” means the Municipal Property Assessment Corporation;

m) “Niagara Region” means The Regional Municipality of Niagara;

n) “Operating Budget” means a financial plan of current operations that encompasses both estimated revenues and expenditures for a specific period, normally a Fiscal Year;

o) “Reserve” means an allocation of accumulated net revenue that does not require the physical segregation of money or assets;

p) “Social Determinants of Health” means the economic, social, and environmental conditions that influence individual and group differences in health status, including income, education, employment, early childhood development, food insecurity, housing, social exclusion and social safety network, health services, aboriginal status, gender, sexuality, race, and disability;

q) “Special Levy” means the net cost of a service being provided at different levels or in a different manner to municipalities that requires funding from the residents through a special tax rate on each municipality established by the Region;

r) “Tax Increment Grant” or “TIG” means a refund of taxes on assessment growth directly related to a development;

2.2. Any defined term herein may be referenced in the plural as the context requires.

3. SCOPE

3.1. This By-law applies to all of Niagara Region's departments and to Niagara Region's directions to the ABCs that report to, or form part of, the Budget approval process at Niagara Region.

4. RULES

4.1. That a meeting of BRCOTW for a new budget year involve the planning for the new budget year and that it be scheduled within the second quarter of the year preceding the new budget year.

4.2. That a schedule of BRCOTW meetings, which deliberate budget approvals, be presented to BRCOTW during the planning meeting identified in 4.1 whereas;

a) The annual operating and capital budgets are scheduled to be approved in the year prior to the new budget year.

b) That the exception to item 4.2.a) be where the new budget year immediately follows a year in which a municipal election is held, as allowed in the Act.

4.3. That the schedule in which the budgetary reports are presented to BRCOTW in the following order:

a) Capital program

b) Water, **and** Wastewater **Operating Budgets and rates**

c) Waste Management Special Levy and Niagara Transit Commission Special Levy

d) ABCs

e) Consolidated **General Levy**

4.4. That the increase in budget to provide base services, excluding revenues and the costs of growth and capital, be prepared with reference to an appropriate inflationary factor as determined by Council at the planning meeting for the new budget year.

4.5. That the incremental operating budget requirements to support the capital asset plan be provided with a separate increase.

4.6. That any new programs and services to be considered be provided with a separate increase.

4.7. That net assessment growth revenue be prioritized in the following order:

a) Incremental operating costs of growth

b) Costs to fund new and growth capital assets

c) Gaps in funding items in sections 4.5 and 4.6 of this By-law

d) Programs aimed at driving economic growth or other Council priorities

Other factors such as growth and strategic plans may be incorporated into the overall prioritization of assessment growth.

4.8. That business cases be prepared for Council information where any one of the following conditions are met:

a) The request includes the addition of (a) permanent FTE(s)

b) The request adds (a) new service(s) not offered by the Niagara Region in the year prior to the new budget year

i. This excludes changes in delivery of (a) service(s) within a division

4.9. That a Budget Driver Summary be prepared for Council information where any one of the following conditions are met:

a) The net request is in excess of $500,000 increase or decrease to a departmental budget

i. This excludes increases or decreases for general labour-related costs (other than those in 4.8.a) as these general costs will be reported on corporately

b) The gross divisional change is in excess of $1,000,000. A gross change less than $1,000,000, with a net impact less than $500,000 will be at the discretion of the Commissioner and/or Treasurer

5. PRINCIPLES

5.1. That a price index that may be used for an inflationary factor for section 4.4 is the core consumer price index (CPIX) as made available through StatsCan.

5.2. That the incremental operating budget impacts in section 4.5 of this By-law be in accordance with the funding required to close the capital funding gap as identified in the Asset Management Plan.

5.3. That assessment growth be treated as gross and net, whereas:

a) Gross assessment growth is new assessment calculated as the change in weighted real property assessment as determined by MPAC.

b) And net assessment growth be calculated as gross assessment growth less any Tax Increment Grants related to new assessment.

5.4. That the base budget for staffing complement be based on the approved complement of the year prior to the new budget year including any adjustments approved in-year.

5.5. That approvals of operating programs or capital projects that will result in a future increase to the budget in subsequent years be budgeted with the full annual impact in the year of the program approval.

a) That estimated incremental debt payments for a project be included in the operating budget in the year the capital project is approved as a placeholder for the payments that will be made. Where a surplus may occur due to timing, that placeholder will be used to fund pay-as-you-go capital.

b) That estimated incremental operating costs inclusive of annual labour-related costs for programs or projects be budgeted in the year of the program or project approval as a placeholder for the operating costs that will occur. Where a surplus may occur due to timing, that placeholder will be used to fund pay-as-you-go capital or otherwise as approved in the budget.

c) That a reduction in costs or increase in revenues be included in the budget year in which they are expected to be recognized.

5.6. That the exception to 5.5 be where a financial plan has identified a strategy to implement an initiative where the budget must be established over a period of time to support the principle of affordability.

5.7. That budget planning and preparation will include any relevant information as available to staff, including:

a) The most recently completed year's actual audited financial position.

b) The most recently completed quarterly financial forecast.

c) Items forecasted in the multi-year's budget of the prior year.

d) Strategic documents developed for planning.

e) Newly identified pressures, risks, and opportunities for the budget year.

5.8. Where an operational surplus is identified in the financial results of the year prior to the new budget year, the surplus will inform the new budget year for potential cost savings or revenue increases.

a) The use of a surplus will be directed by Niagara Region policies and the Act in the year prior to the new budget year.

b) Budget development will not include the year surplus as a funding source for the new budget year.

5.9. That operating programs that are time limited or one-time in nature may be funded by time limited or one-time sources, such as reserves.

a) Time limited or one-time revenues will not be used to fund on-going programs.

6. RESPONSIBILITIES

6.1. The responsibility of Regional Council

a) To approve an annual budget planning report and timetable. The approval of a budget planning report for a new budget year shall not limit Regional Council's ability to approve a budget or budgets equal to or less than the recommendations therein upon consideration of the annual budgets.

b) To provide direction to staff on the services to include in the new budget year.

6.2. The responsibilities of members of the Corporate Leadership Team

a) To recommend and support the budget submissions to Council.

6.3. The responsibilities of Financial Management and Planning Team

a) To transparently consolidate and present budget considerations to Council.

b) To direct staff on strategy to meet Council's expectations of the annual budgets.

6.4. The responsibilities of budget owners and project managers

a) To use these rules in the preparation of the annual operating and capital budgets.

6.5. The responsibilities of ABCs

a) To adhere to the schedule of budget approval meetings as approved annually by Council.

7. SEVERABILITY

7.1. If any Section or Sections of this By-law or parts thereof are found by an adjudicator of competent jurisdiction to be invalid or beyond the power of Council to enact, such Section or Sections or parts thereof shall be deemed to be severable and all other Sections or parts of the By-law shall be deemed to be separate and independent there from and shall continue in full force and effect unless and until similarly found invalid or beyond the power of Council to enact.

8. SHORT TITLE

8.1. The short title of this By-law is “Budget Planning By-law”.

9. EFFECTIVE DATE

9.1. That this by-law shall come into force and effect on the day upon which it is passed.

THE REGIONAL MUNICIPALITY OF NIAGARA

James Bradley, Regional Chair

Ann-Marie Norio, Regional Clerk

Passed: <date>

CORPORATE ADMINISTRATIVE POLICY MANUAL

C3.C16

SECTION	NAME OF POLICY
GENERAL ADMINISTRATION	CAPITAL ASSET MANAGEMENT

DEVELOPED BY: CORPORATE SERVICES DEPARTMENT – FINANCIAL MANAGEMENT & PLANNING

APPROVED BY: REGIONAL COUNCIL

DATE: October 1, 2009

REVISION DATE: October 1, 2011

PURPOSE:

This policy outlines standards and guidelines for the processes of Capital Asset Management. Capital Asset Management can be defined as the activities related to program planning, financing and administration of resources for the acquisition, development or construction of tangible capital assets of the Region. It also includes the integration of current and capital budgets by identifying future financial resources to be allocated from current funds to operate and maintain these tangible capital assets. This policy will also outline standards and guidelines for identifying, measuring and recognizing expenditures as tangible capital assets in order to facilitate appropriate financial presentation and disclosure.

The following comprises the topics discussed in this policy:

1.0 General Information.
- 1.1. Definitions.
- 1.2. Guiding Principles.

2.0 General Responsibility.
- 2.1. Corporate Management Team.
- 2.2. Project Management.
- 2.3. Corporate Services Department.
- 2.4. Budget Review Committee.

CORPORATE ADMINISTRATIVE POLICY MANUAL C3.C16

SECTION	NAME OF POLICY
GENERAL ADMINISTRATION	CAPITAL ASSET MANAGEMENT

In accordance with Report Number CSD 15-2019
And approved by Regional Council on Oct. 17, 2019
Sections 3.0 Capital Financing 4.0 Capital Program Planning have been repealed and removed from this policy.

5.0 Capital Program Financial Administration.
- 5.1. Capital Project Monitoring.
- 5.2. External Revenue Billing.
- 5.3. Close Out Reports.
- 5.4. Capital Variance Reserves.
- 5.5. Emergency Capital Expenditures.

6.0 Current Budget Impacts.
- 6.1. Impact on Operations.

7.0 Tangible Capital Assets
- 7.1. Identification.
- 7.2. Measurement.
- 7.3. Recognition.
- 7.4. Adjustments.
- 7.5. Disposals.
- 7.6. Amortization.

This policy replaces the following prior policies:

i. Capital Budget Control (CSD.B01)
ii. Capital Financing and Debt Management Policy and Guidelines (C3.C11)
iii. Project Approval Reports (DF93-31)

CORPORATE ADMINISTRATIVE POLICY MANUAL C3.C16

SECTION	NAME OF POLICY
GENERAL ADMINISTRATION	CAPITAL ASSET MANAGEMENT

1.0 GENERAL INFORMATION

1.1 DEFINITIONS (See Appendix 1)

1.2 GUIDING PRINCIPLES

The following guiding principles have been applied in developing this Capital Asset Management policy:

- Provide standards and guidelines for identifying, measuring and recognizing expenditures as tangible capital assets to facilitate appropriate financial presentation and disclosure and management decision-making process, such as capital budgeting, capital forecasting and financing when preparing budgets.
- Identify committed and uncommitted Reserve and Reserve Fund balances to facilitate analysis of financial resources available.
- Provide guidelines for the achievement of Council objectives of providing longterm infrastructure works in alignment with the Capital Affordability Strategy.

2.0 GENERAL RESPONSIBILITY

Efficient and effective Capital Asset Management necessitates coordination and communication of the various participants in the process.

2.1 CORPORATE MANAGEMENT TEAM (C.M.T.)

C.M.T. is responsible for establishing strategic direction for the Region's infrastructure. Based on a Capital Affordability Strategy and various other sources of input, C.M.T. prioritizes initiatives as a basis for allocating resources and approving capital program budgets.

2.2 PROJECT MANAGEMENT

A capital budget for a departmental program is developed by the project managers in conjunction with the department senior management team and the respective standing committee. Project managers are responsible for determining the external sources of financing for all capital projects. When departmental capital program budgets have been approved, projects are initiated and project managers administer the departmental program and maintain the related tangible capital assets. Project managers are accountable for monitoring the projects within a capital program and taking corrective action when necessary. Project Budgets, especially large and/or complex projects, may contain an allocation for contingencies. Project Managers are required to identify and report on the use of these contingencies in alignment with the close-out report.

Project Managers are responsible for maintaining accurate and complete information about the tangible capital assets that result from the projects, and reporting such information to the Tangible Capital Assets Analyst in a timely manner. Each department will be accountable for supporting changes, as part of the annual audit work, which have been made during the year to their tangible capital asset inventory.

2.3 CORPORATE SERVICES DEPARTMENT

The Corporate Services department develops the Capital Affordability Strategy, the Capital Financing Strategy and Capital Budget guidelines in conjunction with Council objectives. A consolidated capital budget and forecast including both expenditures and sources of financing is prepared and presented by the Corporate Services Department. The Corporate Services Department ensures that the application of financing to projects is in accordance with the Capital Asset Management Policy. The Corporate Services Committee (C.S.C.) recommends financing for all projects to Council for approval. For all debenture debt financing, the Corporate Services Department is responsible for determining the amounts, terms to maturity, interest rates, timing of issuance and for determination of the debt charges forecast to be included in the operating budget.

2.4 BUDGET REVIEW COMMITTEE (B.R.C.)

The Budget Review Committee reviews the Consolidated Capital Budget and Forecast and recommends approval by Council.

5.0 CAPITAL PROGRAM FINANCIAL ADMINISTRATION

5.1 CAPITAL PROJECT MONITORING

Project management is responsible for reviewing available capital project expenditure reports and identifying any projects for which a funding deficit has or may occur. This will be facilitated through the use of project variance reporting which will be carried out by Corporate Services. Once additional requirements have been identified, the Project Manager is required to initiate the process of obtaining additional budget allocations and funding approval.

The Corporate Services Department will prepare variance to budget reports for review by the respective standing committee, Corporate Services Committee and Regional Council on a semi-annual basis as well as in conjunction with the preparation of the closeout reports.

If a negative project variance is identified on the semi-annual variance report for two consecutive reports Corporate Services will change the status of the project in Smartstream to “on hold” to prevent further costs from being charged to the project until the funding source is identified. Project manager’s are required to request funding from the Capital Variance Reserves through their Commissioner and the Commissioner of Corporate Services for amounts up to $250,000.

If there are not adequate funds available in the Capital Variance Reserves, an amendment to the budget can be considered.

5.2 EXTERNAL REVENUE BILLING

Budgeted external financing will be monitored by the project manager. External revenues will be invoiced except in the case of funding from other government sources which shall be collected as per their individual financing agreements. The departmental manager will advise each project manager of the required timing of invoicing when the tender is awarded.

5.3 CLOSE-OUT REPORTS

A semi-annual review of capital projects will be performed by the Corporate Services Department in conjunction with the respective project management to ensure that projects are closed as soon as possible after completion.

CORPORATE ADMINISTRATIVE POLICY MANUAL

C3.C16

SECTION	NAME OF POLICY
GENERAL ADMINISTRATION	CAPITAL ASSET MANAGEMENT

A report will be prepared and presented to the standing committees for those departments affected by the report and to the Corporate and Financial Services committee. The report will summarize the financial effect of the close-out activity and provide explanations for variances to budget on those projects included. Significant variances will have been addressed through section 4.3, amendments to the capital budget. Project deficits will be financed with surpluses to the extent possible and an overall net transfer from the Capital Variance Reserves will be made.

i. Inactive Projects

When a project is determined to be inactive per the definition in this policy, it will be recommended for closure in the next close-out report. If the project manager determines that it should not be closed, Corporate Services must be provided with a written rationale for maintaining the project.

ii. Recurring Capital Projects

Recurring Capital Projects will be recommended for closure 12 months after the year end for which they were approved. This will allow sufficient time for payments to be processed on project commitments remaining at year end. If the project manager determines that it should not be closed, Corporate Services must be provide with a written rationale for maintaining the project.

5.4 CAPITAL VARIANCE RESERVES

The Capital Variance Reserves will be a mechanism used to fund unforeseen capital expenditures that are not deemed to be an emergency and to eliminate the need for transfers between projects. Funding for these projects will be through the closure of projects with net surplus balances. Corporate Services will review these reserves annually to ensure appropriate levels of funding are maintained.

Capital Variance Reserves will be set up for the following areas beginning with the next closeout report:

- Wastewater
- Water
- Waste Management
- Levy Supported Projects

If there are not adequate funds available in the Capital Variance Reserves, an amendment to the budget can be considered.

5.5 EMERGENCY CAPITAL EXPENDITURES

Each year an Emergency Capital Project will be budgeted with Capital Levy Reserve financing to provide funds that may be required in that year by the levy supported programs to finance necessary emergency capital expenditures. Any portion of the project budget not required in the year will be closed out in the first close out report immediately following the year end. Rate supported programs must ensure that a sufficient budget exists for emergency expenditures in their respective capital programs.

In the event of an emergency capital expenditure the project manager must ensure compliance with the Regional Purchasing Policy which requires that council be informed of certain Emergency Purchases (please refer to Purchasing Policy). Financing of the expenditure must also be arranged. If the emergency expenditure relates to an existing project with an available budget the department should reprioritize that project budget to provide funding. In the absence of that, for levy supported programs the project manager may consider an initiation report (see section 4.2) requesting an allocation from the Emergency Capital Project to fund the emergency expenditure.

6.0 CURRENT BUDGET IMPACTS

6.1 IMPACT ON OPERATIONS

When preparing the capital budget for a project, the requesting department should provide an analysis of significant impacts of the project on the operating budget of departments affected. These impacts will be reflected in the multi-year financial operating plan.

7.0 TANGIBLE CAPITAL ASSETS

7.1 IDENTIFICATION

Capital Assets include both tangible (physical) assets and intangibles (those which lack physical substance such as a patent). They are acquired by construction, purchase, transfer or capital lease commitment (exceeding 1 year). Tangible capital assets will be capitalized and amortized over their useful life. Intangible capital assets are not capitalized.

Tangible capital assets are non-financial assets having physical substance that meet the following criteria:

i. Are held for use in the production or supply of good and services, for rental to others, for administrative purposes or for the development, construction, maintenance or repair of other tangible capital assets;
ii. Have a useful economic life extending beyond a single reporting period;
iii. Are to be used on a continuing basis; and
iv. Are not intended for sale in the ordinary course of operations *(PS 3150)*
v. Cost in excess of the set thresholds.

7.1.1 Betterments

Betterments are deemed tangible capital assets. A betterment is a cost incurred to enhance the service potential of a tangible capital asset. Service potential may be enhanced when:

- There is an increase in previously assessed physical output
- There is an increase in previously assessed service capacity
- Associated operating costs are lowered
- There is a characteristic that is provided to an asset that did not previously exist (an upgrade or rearrangement)
- When the useful life of the tangible capital asset is extended; or,
- The quality of output is improved

An expenditure has to meet one of the above criteria and exceed the set asset threshold to be considered a betterment. Otherwise the expenditure is accounted for as a current year expense of maintaining the asset.

7.1.2 Capital Leases

A leased tangible capital asset is a non-financial asset that has physical substance and a useful life extending beyond an accounting period, and is held under lease by a government for use, on a continuing basis, in the production or supply of goods and services. Under the terms and conditions of the lease, substantially all of the benefits and risks incident to ownership are, in substance, transferred to the government without necessarily transferring legal ownership.

Substantially all the benefits and risks of ownership have been transferred if one or more of the following conditions are present at the inception of the lease:

- There is reasonable assurance that the government will obtain ownership of the leased property by the end of the lease term. Either the terms of the lease would result in ownership being transferred to the government by the end of the lease or the lease provides for a bargain purchase option.
- The lease term is of such a duration that the government will receive substantially all (usually 75% or more) of the economic benefits expected to be derived from the use of the leased property over its life span.
- The lessor would be assured of recovering the investment in the leased property and of earning a return on the investment as a result of the lease agreement. This condition would exist if the present value, at the beginning of the lease term, of the minimum lease payments, is equal to substantially all (usually 90% or more) of the fair value of the leased property, at the inception of the lease. *(PS3150)*

7.1.3 Studies

Feasibility studies or strategy analysis may be undertaken prior to the acquisition or development of a capital asset. Due to the uncertainty of the future benefit of these expenditures they should not be included as a capital asset unless future benefits (assets) are reasonably assured. These items are more appropriately considered operational type expenditures and should be recorded in the operating accounts in the year in which they occurred.

7.1.4 Works of Art and Historical Treasures

Works of art and historical treasures are not recorded as tangible capital assets because a reasonable estimate of the future benefits associated with such property cannot be made.

7.2 MEASUREMENT

Tangible capital assets should be recorded at cost and include all costs incurred up to the time the asset is put in service. Adjustments can be made for material changes to the cost after the asset has initially been recorded.

Items that are included in the cost of an asset must be directly attributable to bringing the asset into working condition for its intended purpose which may include:

i. Purchase price and other acquisition costs such as option costs, commissions, installation costs
ii. Architectural, design and engineering fees iii. Legal fees, survey costs, site preparation costs, freight charges, transportation, insurance costs, duties, testing and preparation charges
iv. Construction or development costs (such as materials and labour) incurred directly for the project
v. Overhead costs directly attributable to the construction or development activity.

To determine whether an expenditure should be treated as an adjustment to an existing asset or treated as a separate component the following factors should be considered:

- An estimate of the useful life and consumption pattern of the particular component can be determined and this amount is materially different than the existing asset.
- The component is separately marketable on its own rather than being an integral part of a larger asset.
- The value of the component is substantial in relation to the total value of the asset.

7.2.1 Acquisition of a Bundle of Tangible Capital Assets as Part of a Single Purchase

When multiple assets are acquired for a single price the cost must be apportioned to the individual assets. For example, land and building may be purchased as one transaction but the cost would be apportioned to the land and to the building based on its relative fair value.

7.2.2 Tangible Capital Assets Acquired at Nominal Value

A tangible capital asset may be gifted or contributed by an external party. For example, land may be contributed by another level of government at zero or nominal consideration to facilitate the construction of a road.

Where a tangible capital asset is acquired at no cost, or for a nominal cost, the amount recognized should be equal to its fair value as at the acquisition date, with the offsetting credit to a “contributed asset revenue account”. For the purposes of contributions from one level of government to another, the acquisition date is the date in which the agreement was authorized, assuming possession transfers on that date.

Fair value may be estimated using market or appraised values. When an estimate of the fair value cannot be reasonably estimated the tangible capital asset would be recognized at its nominal value.

7.2.3 Capital Leases

The value of the leased tangible capital asset is equal to the present value of the minimum lease payments, excluding the portion thereof relating to executory costs. The amount relating to executory costs included in the minimum lease payments would be estimated if not known. The discount rate to be used in determining the present value of minimum lease payments would be the lower of the Region’s rate for incremental borrowing and the interest rate implicit in the lease.

7.3 RECOGNITION

Criteria for the timing of the recording of an expenditure for a capital asset include:

i. Possession of ownership of item if purchased.
ii. Substantially complete and ready for use. iii. Productive capacity or occupancy level reaching a specified level.
iv. Passage of time, such as a predetermined period of no further activity or costs being incurred.

7.4 ADJUSTMENTS

7.4.1 Write-downs

Departments will be asked to review their assets for impairment on an annual basis and determine if a write-down is necessary. Impairment may occur as a result of: There is a change in the extent or manner that the asset is used

- The asset is physically damaged
- When the asset is removed from service or abandoned.

7.4.2 Useful Life

Departments will be asked to review their assets on an annual basis and determine if changes to the useful life are necessary.

Significant events that may indicate a need to revise the estimate of the remaining useful life of a tangible capital asset include:

- A change in the extent to which the tangible capital asset is used;
- A change in the manner in which the tangible capital asset is used;
- Removal of the tangible capital asset from service for an extended period of time; Physical damage;
- Significant technological developments;
- A change in the demand for services provided through use of the tangible capital asset;
- A change in the law or environment affecting the period of time over which the tangible capital asset can be used.

7.4.3 Assets Held For Sale

If an asset goes from in use to being considered for sale it must be classified as financial asset rather than a tangible capital asset (non-financial asset). All of the following criteria must be met for this classification however the department arranging for the sale of the asset should notify the Tangible Capital Assets Analyst when at a minimum the first of the following criteria is met:

- Council has committed to selling the asset
- The asset is in a condition to be sold
- The asset is publicly seen to be for sale
- There is an active market for the asset
- There is a plan in place for selling the asset and
- It is reasonably anticipated that the sale will be completed within one year of the financial reporting date.

7.5 DISPOSALS

When an asset is disposed of the department involved must notify the Tangible Capital Assets Analyst of the nature of the transaction which will include any proceeds received and selling expenses incurred as well as the date of disposal. An asset can be disposed of in it entirely or as a partial disposition. For example, a parcel of land may be purchased for the expansion of a water facility however a portion of that land may not be required therefore it can be severed and sold. Partial dispositions can be quantified in the form of a percentage of the original cost or as a percentage of the size of the asset.

7.6 AMORTIZATION

The cost of tangible capital assets other than land will be amortized over its useful life. Land normally has an indefinite useful life therefore is not amortized. Amortization is recorded as an expense in the operating statement of the managing cost centre. Amortization represents a charge for the estimated annual consumption of the asset.

A straight line basis of amortization, with 50% in the first year and 50% in the year of disposal, will be used for all tangible capital assets except for Waste Management Landfill which will be amortized based using a units of production method based on the tonnage of waste consumed in the landfill during each year.

For further information please refer to the procedures for Tangible Capital Assets.

CORPORATE ADMINISTRATIVE POLICY MANUAL | C3.C16

SECTION	NAME OF POLICY
GENERAL ADMINISTRATION	CAPITAL ASSET MANAGEMENT

For the purposes of this policy, the following terms are defined:

- **Asset Impairment:**

The asset can no longer contribute to the Region's ability to provide service at the previously anticipated level, must be permanent in nature.

- **Betterments:**

The cost incurred to increase the service potential of a capital asset. (PS 3150). The result is to materially improve the property beyond its original condition. Service potential is enhanced when physical output or capacity is increased, operating costs are lowered, useful life is extended or quality of output is improved.

- **Capital Budget:**

A multi-year plan based on the estimated expenditures and offsetting sources of financing for a Capital Project.

- **Capital Financing:**

The current budget allocation to the funding of Capital Programs that consists of debt charge payments and Capital Levy contributions.

- **Capital Lease:**

One which transfers substantially all the benefits and risks of ownership of the property to the lessee. Considered a source of capital financing.

- **Capital Levy:**

The portion of Capital financing that is applied either directly to specific projects or accumulated in the Capital Levy Reserve to fund future capital projects.

- **Capital Program:**

A combination of capital projects to be executed within a defined timeframe to meet the requirements of a particular department or function.

- **Capital Project:**

A project during which expenditures are incurred that result in the creation of a tangible capital asset.

1.0 DEFINITIONS

- **Capital Reserve / Reserve Fund:**

The previous allocation of funds from the current budget set aside for the funding of future capital. Reserve funds are established as a result of legislation, council by-laws or contractual obligations and are credited with interest based on their balance. Reserves are established as result of strategic planning of financial resources and there are no interest earnings calculated.

- **Cash Flow Budget:**

An annual budget that estimates the amount of actual cash to be spent in the year on expenditures for the capital project.

- **Capital Variance Reserves:**

An alternative means of managing unforeseen capital costs that are not deemed to be an emergency in order to eliminate the need for transfers between capital projects.

- **Current Expense:**

Non-permanent equipment or "consumable" items or services. Also includes items or services that are less than the applicable thresholds.

- **Debt Charges:**

Repayment of principal and interest required to service any long-term debenture debt.

- **Directly Attributable:**

Direct incremental expenses incurred related to the acquisition, construction, development or betterment of the tangible capital asset.

- **External Revenue:**

Contributions from third paries which include, but are not limited to, contributions from area municipalities, developers, government subsidies, donations and fundraising.

- **Fair Value:**

The amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable willing parties who are under no compulsion to act. (PS 3150)

- **Inactive Project:**

A project for which there are no transactions for a period of 24 months or more.

- **Initiation Report:**

A report that obtains approval to proceed with work on a specific project or projects within an approved capital budget by allocating budgeted expenditures and financing from a departmental Capital program to the project(s) being initiated.

1.0 DEFINITIONS

- **Long Term Debt:**

Any financial obligation that extends beyond the current year.

- **Maintenance:**

The cost incurred in maintaining the originally predetermined service potential of a tangible capital asset for a given useful life. (PS 3150)

- **Net Book Value**

The assets cost, less both accumulated amortization and the amount of any write-downs. (PS3150)

- **Net Capital Program:**

Total expenditures for a departmental Capital Program less external revenues.

- **Net Expenditure Cash Flow:**

The estimated timing of expenditure transactions to be funded by Regional sources.

- **Own Source Revenues:**

The total of annual tax levy and rate generated revenues from Water, Wastewater and Solid Waste Management.

- **Parent Project:**

A parent project is a project for which a capital budget is prepared and presented for approval as part of a departmental program. Individual sub-projects or working projects are later initiated to allocate a portion of the approved capital budget of the parent project. The smaller working projects facilitate project management and administration. An example of a parent project is a Roads Rehabilitation project for which specific locations have not yet been finalized at the time the capital program budget is prepared.

- **Pre-Construction Costs:**

Construction costs incurred prior to commencing construction of the tangible capital asset.

- **Project:**

An organized undertaking recognized as a discrete unit of work that takes place within a defined timeframe.

- **Pooled Assets:**

A group of similar tangible capital assets that individually have a cost below the set thresholds but are purchased in a bundle exceeding the thresholds. These assets are recorded as pooled assets. This treatment is appropriate for assets that are placed in service at the same time and are generally removed from service at the same time.

- **Recurring Capital Project:**

1.0 DEFINITIONS

A project created each year to provide a department with the budget necessary for capital expenditures that are essential to the service provided by the department during that year but not yet known at the time of budget preparation.

➢ **Sources of Financing:**
Revenue funding for a capital project to offset the cost of capital expenditures.

➢ **Standing Committee:**
A Standing Committee of Council is a committee established by Council, composed entirely of members of Council, to carry out duties on an ongoing basis, as specified by Council. For purposes of this policy the Standing Committee will refer to that of the department managing the project.

➢ **Tangible Capital Assets:**
Tangible capital assets have physical substance and are acquired by construction, purchase, transfer or capital lease commitment. Refer to section 7.1 for more detail.

➢ **Tax Levy Revenues:**
Taxes charged on assessed properties for Municipal services.

➢ **Useful Life:**
The period over which a capital asset or component thereof is expected to be used by the government. (PS 3150)

➢ **Work in Progress:**
New tangible capital assets that are not completed and not ready to be put into service or used.

➢ **Write-downs:**
An assets cost is written down if there has been an impairment to the asset or the value of future economic benefits associated with the tangible capital asset is less than its net book value, the cost of the asset is reduced to reflect the decline in the asset's value. A writedown should not be reversed. (PS 3150)