



<b>Corporate Budget: Multi-Year Business Planning and Budget Policy</b>	 Hamilton	<b>Corporate Services Department</b>
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<b>POLICY STATEMENT</b>	<p>The implementation of a multi-year approach to business planning and budgeting is expected to provide Council and the public with a better understanding of the City services, cost drivers and performance while increasing accountability and transparency. Benefits expected, include the following:</p> <ul style="list-style-type: none"> <li>• Strengthens the link between budgeting and strategic directions</li> <li>• Provides a long-term financing strategy that assesses the long-term financial implications of current and proposed Operating and Capital Budgets, budget policies, investment and tax policies, and assumptions</li> <li>• Instills discipline to control spending changes</li> <li>• Makes more strategic use of Council’s time in reviewing budgets and staff’s time in preparing and monitoring them</li> <li>• Reduces uncertainty about future tax levies and user rates</li> <li>• Provides a longer-term outlook to stakeholders who rely on municipal funding for program delivery</li> </ul>
<b>PURPOSE</b>	<p>The purpose of this Policy is to establish a multi-year business planning and budgeting approach that directs the effective management of the City of Hamilton’s financial resources.</p>
<b>BACKGROUND AND AUTHORITY</b>	<p><i>Municipal Act, 2001</i>, subsection 291(1) authorizes a municipality to prepare and adopt a multi-year budget covering a period of two to five years in length provided that it is reviewed and confirmed on an annual basis within the multi-year planning period.</p> <p>If a municipality chooses to adopt a multi-year budget, establishing an annual review process is mandatory as outlined in subsection 291(4) of the <i>Municipal Act, 2001</i>. The annual review process requires City Council to re-adopt the budget for that year and subsequent years to which the budget applies to ensure the municipality has sufficient funds to pay all debts, amounts required for sinking funds or retirement funds and amounts required for local boards, commissions or other body.</p> <p>As part of adopting a multi-year budget, a municipality is authorized under subsection 291(8) of the <i>Municipal Act, 2001</i> to require by by-law that a budget for the year or years of every board, commission or other body, other than a school board, for which the municipality is obligated by law to levy a tax or provide money, be submitted to the municipality by a specified date.</p>

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<b>SCOPE</b>	<p>The scope of multi-year business planning and budgeting will include all City departments, as well as every board, commission or other body, other than a school board, for which the municipality is obligated by law to levy a tax or provide money, including the following:</p> <ul style="list-style-type: none"> <li>• Hamilton Police Service</li> <li>• Hamilton Public Library</li> <li>• Hamilton Farmers’ Market</li> </ul>
<b>DEFINITIONS</b>	<p><b>Business Plan</b> – A multi-year roadmap used by the City’s departments and applicable boards to ensure Council priorities are delivered, the City’s core responsibilities are met and service delivery is continuously improved based on reported performance measures.</p> <p><b>Capital Budget</b> – Plans for the purchase and financing of assets or improvement of existing infrastructure (e.g. libraries, storm sewers, recreation centres, parks and roads). The City has a Tax Supported Capital Budget with capital projects partially financed by revenues from property tax payers and a Rate Supported Capital Budget with capital projects partially financed by revenues from water users through water, wastewater and storm user rates and fees.</p> <p><b>Forecast</b> – Use of historical data and current available information to determine the direction of future trends in budgetary revenue and expenditures.</p> <p><b>Operating Budget</b> – Represents a municipality’s day-to-day expenditures (e.g. salaries, wages, benefits, heat, hydro and maintenance of buildings and infrastructure, contracted services, capital financing) and revenues for a fiscal year. The City has a Tax Supported Operating Budget with the net cost (i.e. property tax levy) of services financed by revenues from property taxpayers and a Rate Supported Operating Budget with the net cost of services financed by revenues from water users through water, wastewater and storm user rates and fees.</p> <p><b>Multi-Year Budget</b> – A document that details a municipality’s planned expenditures and revenues for at least two or more annual budgetary periods.</p> <p><b>Maintenance Budget</b> – Represents the cost of providing services at the same level as approved by City Council in the previous year. The Maintenance Budget is developed on the key principles of maintaining</p>

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	<p>current services and service levels, where possible.</p> <p><b>Service</b> – Provides specific outputs that satisfy the needs of taxpayers and ratepayers and contribute to the achievement of program goals.</p> <p><b>Service Level</b> – Defines, in measurable terms, the quantity or quality of service provided to taxpayers or ratepayers over a period of time.</p>	
<p><b>PRINCIPLES</b></p>	<p><u>Business Planning and Direction Setting</u></p> <ul style="list-style-type: none"> <li>• Guided by the City’s Strategic Plan, City departments and applicable boards will develop four-year business plans that clearly state the outcomes, strategies, actions and performance measures that support their respective purpose statements.</li> <li>• General Issues Committee or boards will review business plans to monitor performance, assess progress against targets and priority actions and develop strategies to address emerging issues and to recommend corrective actions.</li> <li>• General Issues Committee or boards will finalize its review and recommend approval of business plans to City Council.</li> <li>• City Council will receive and review the recommended business plans</li> <li>• City Council will approve submitted business plans to guide and support the Operating and Capital Budget processes.</li> </ul> <p><u>Multi-Year Budgeting</u></p> <ul style="list-style-type: none"> <li>• Based on the approved business plans and budget outlook, City and applicable board staff prepares:                         <ul style="list-style-type: none"> <li>○ Operating Budgets for a four-year period comprised of a one-year period for approval and a three-year forecast plan for adoption.</li> <li>○ Capital Budgets for a four-year period comprised of a one-year period for approval and a three-year plan for adoption (plus a further six-year forecast for information).</li> </ul> </li> <li>• For Operating Budgets, the budget for each year must include a maintenance budget (base amount) that projects the future year costs of maintaining the current years’ service delivery levels approved in the previous year, and incorporate any service change requirements and related sources of revenue. Any reductions or enhancements in services will be shown separately and justified with detailed business cases, as described in the Business Case Development Guidelines.</li> </ul>	

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	<ul style="list-style-type: none"> <li>For Capital Budgets, the budget will list the estimated costs and revenues of all items of a capital nature planned in the budget year accompanied by a schedule showing the extended costs of the full project to completion over the coming years. Any Capital Project requests or updates to an existing Capital Project require the completion of a Capital Budget Detail Sheet.</li> </ul>	
<p><b>PRINCIPLES</b></p>	<p><u>Administrative Review Process</u></p> <ul style="list-style-type: none"> <li>Financial Planning, Administration and Policy staff will begin preparation of the Operating and Capital Budget process by establishing the budget outlook.</li> <li>Budget outlook is issued by the Financial Planning, Administration and Policy Division to all City departments and applicable boards. The outlook is based on budget pressures, financial forecasts and directions received by the Senior Leadership Team and City Council.</li> <li>Staff will prepare Operating Budgets for a four-year period comprised of the upcoming budget year and a three-year forecast plan and Capital Budgets for a four-year period comprised of the upcoming budget year and a three-year plan (plus a further six-year forecast for information).</li> <li>Senior Leadership Team will review and approve the preliminary Multi-Year Operating and Capital Budgets and establish staff recommended Operating and Capital Budgets that are balanced and meet the priorities of City Council.</li> <li>Staff recommended Multi-Year Operating and Capital Budgets are presented to the General Issues Committee, as part of the budget deliberation process. Multi-year Operating and Capital Budget documents are distributed to City Councillors and posted on the City's website for public access and comment.</li> </ul> <p><u>Committee and Council Review Process</u></p> <ul style="list-style-type: none"> <li>Public provides input / responses to staff recommended Multi-Year Operating and Capital Budgets.</li> <li>Multi-Year Operating and Capital Budget documents are provided to General Issues Committee to begin budget deliberations. City departments and applicable boards deliver presentations on Operating and Capital Budget submissions.</li> <li>General Issues Committee will finalize its review and recommends Multi-Year Operating and Capital Budgets to be considered by City Council.</li> </ul>	

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	<ul style="list-style-type: none"> <li>• City Council will receive and review the Committee recommended Operating and Capital Budgets.</li> <li>• City Council will approve Operating and Capital Budgets.</li> </ul>	

<b>PRINCIPLES</b>	<p><u>Multi-Year Adjustment Process</u></p> <ul style="list-style-type: none"> <li>• Departments and applicable boards will submit proposed changes to the multi-year budget and business plans during the annual budget review process so that all requested adjustments can be considered together.</li> <li>• Annual adjustments to the approved Operating Budget (one-year budget) and the impact on the following three-forecast years of the multi-year budget period will be considered under the following circumstances:                         <ul style="list-style-type: none"> <li>○ Changes to Council Directions, service levels or responses to results shown in performance measurement reports</li> <li>○ External factors, such as provincial or federal budgets or changes imposed by legislation</li> <li>○ Operating impacts related to capital projects</li> <li>○ Unforeseen changes to economic forecasts affecting costs, service demand volumes or revenue projections</li> </ul> </li> <li>• Previously approved, but not yet completed Capital projects that require transfer of funding between Capital projects are guided by the Capital Projects' Budget Appropriation and Work-in-Progress Transfer Policy.</li> </ul> <p><u>Budget Adoption</u></p> <ul style="list-style-type: none"> <li>• In compliance with the <i>Municipal Act, 2001</i>, City Council will adopt Operating and Capital Budgets each year along with the respective forecast and planned years. The municipal tax levy and municipal rate revenue requirement will also be set at the discretion of Council on an annual or multi-year basis.</li> <li>• In accordance with subsections 291(2) and 291(5) of the <i>Municipal Act, 2001</i>:                         <ul style="list-style-type: none"> <li>○ if the first year of a multi-year budget falls in the year immediately following an election year, the budget may only be adopted in the first year to which the budget applies;</li> <li>○ if a year for which a budget is being reviewed and changed is a year immediately following an election year, the budget may only be readopted in the year for which the budget is being reviewed and changed.</li> </ul> </li> </ul>
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<p><b>PRINCIPLES</b></p>	<p><u>Operating Budget Surpluses</u></p> <ul style="list-style-type: none"> <li>• Any year end Tax Operating Budget surplus will be transferred to the Tax Stabilization Reserve in accordance with Tax Stabilization Reserve Policy (Report FCS14028).</li> <li>• Any year end Tax Operating Budget Capital Financing surplus will be transferred to the Unallocated Capital Levy Reserve in accordance with Unallocated Capital Levy Reserve Policy (Report FCS14028).</li> <li>• Any year end Rate Operating Budget Surplus will be transferred to the respective Rate Supported Reserve in accordance with Rate Reserve Policies (Report FCS16056).</li> <li>• Council can recommend changes to the distribution of the Operating Budget surpluses to reserves.</li> </ul>	
<p><b>RELATED POLICIES</b></p>	<ul style="list-style-type: none"> <li>• Budget Control Policy</li> <li>• Tax Stabilization Reserve Policy</li> <li>• Unallocated Capital Levy Reserve Policy</li> <li>• Rate (Water, Wastewater and Stormwater) Supported Reserve Policies</li> <li>• Capital Projects' Budget Appropriation and Work-in-Progress Transfer Policy</li> </ul>	
<p><b>GOVERNING LEGISLATION</b></p>	<p>Section 291 of the <i>Municipal Act, 2001</i></p>	
<p><b>RESPONSIBILITY FOR THIS POLICY</b></p>	<p>Director of Financial Planning, Administration and Policy (Corporate Services Department) is responsible for this Policy.</p>	
<p><b>POLICY HISTORY</b></p>	<p>Multi-Year Business Planning and Budget Policy is being presented to the Multi-Year Budget Planning Sub-committee on June 27, 2017.</p>	