

STATEMENT OF POLICY AND PROCEDURE			
Chapter:	Corporate Services	SPP No.	CS-6.03
Section:	6. Strategic Business Planning and Performance	Approved:	3/12019
Subject:	CORPORATE BUDGET	Effective:	3/72019
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1. PURPOSE

- 1.01 The purpose of this Statement of Policy and Procedure is to set out the requirements for the organization's budgets and related reporting. TRCA believes in full accountability for its spending, revenue recognition and the performance of service delivery against approved budgets, for both the organization as a whole and for each project and program as an individual endeavour. TRCA recognizes that all projects and programs offered have cost implications and that all costs incurred in support of those services must be practical and affordable. TRCA's budgets represent a financial plan that describes how much money the organization requires, which consists of budgets for each project and program offered. The documents are a blueprint that aligns TRCA's priorities with the projects and programs it delivers to stakeholders and guides decisions on what tangible capital assets will be purchased, built and repaired.

2. SCOPE

- 2.01 This Statement of Policy and Procedure applies to the Board of Directors, Executive Committee, Senior Leadership Team (SLT), and all employees involved in budgeting and variance reporting.

3. POLICY

- 3.01 Multi-year budgets (annual, 4-year and 10-year budget documents) shall be prepared outlining TRCA's *operating budget*, *capital budget* and the list of priority unfunded projects/programs. Included in these documents are the partner municipality apportionments in accordance with the Conservation Authorities Act. The budget documents are not final until they are approved by the Board of Directors, which occurs subsequent to partner municipality approval of proposed apportionments. Partner municipality approval is normally received in the first quarter of the subsequent *fiscal year*, however, timing is subject to change.
- 3.02 Preliminary approval of all budget documents is to be provided by the Board of Directors prior to the end of the *fiscal year*. Once this preliminary approval is provided, the only authorized changes to occur to the budget relate to: (1) changes in approved partner municipality apportionments; and (2) TRCA staff's assessment of deferred revenue subsequent to year end and the determination of what additional revenues and matching expenses will be

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recognized during the *fiscal year*.

- 3.03 Once approved by the Board of Directors, no further changes to the budget are to be administered by TRCA staff, without Board of Directors approval.
- 3.04 TRCA's budget documents shall incorporate all revenue sources and the full cost for each project/program, including those associated with providing oversight and centralization of Corporate Services, Human Resources and the CEO's Office.
- 3.05 TRCA's *capital budget* represents TRCA's multi-year plan for the acquisition of Tangible Capital Assets. This is not to be confused with a partner municipality's apportionment related to specific projects/programs, which is a funding mechanism. While an apportionment amount may be allocated to a partner municipality capital budget, it may actually be deemed to be an operating budget item for TRCA, depending on the nature of the project/program.
- 3.06 The multi-year budget document shall be prepared and submitted by Account Leads to Strategic Business Planning and Performance (SBPP) as a forecast based on an analysis of the prior year's actual cost for providing the projects/programs approved in the prior years' budget. The multi-year budget shall incorporate adjustments for annualized costs and inflation.

4. RESPONSIBILITY

- 4.01 **Partner Municipalities** are responsible for:
- (a) Regular municipal staff consultations with SBPP and SLT regarding alignment of strategic priorities and *deliverables*;
 - (b) Making recommendations on behalf of TRCA to Regional Councils for additional funding opportunities in support of strategic initiatives;
 - (c) Regional Councils approving all TRCA apportionments.
- 4.02 **Board of Directors / Executive Committee** are responsible for:
- (a) review and approval of TRCA's annual budgets inclusive of operating, capital and special accounts with access to all additional information

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contained within the *Business Intelligence Tool (BIT)*, including any changes to the approved apportionments;

- (b) review and approval of TRCA's unfunded priorities short-list.

4.03 **Chief Executive Officer** is responsible for:

- (a) making apportionment and allocation recommendations to the Board of Directors based on the advice and recommendations of Chief Financial and Operating Officer (CFOO), and SLT.

4.04 **Chief Financial and Operating Officer** is responsible for:

- (a) ensuring that financial impacts to the extent they are known are communicated to CEO, SLT and Board of Directors;
- (b) all final budget documents and supporting information as presented to the Board of Directors or Partner Municipalities.

4.05 **Senior Leadership Team** is responsible for:

- (a) reviewing and approving TRCA's budget documents;
- (b) reviewing and approving TRCA's budgets inclusive of the 1, 4 and 10-year outlook; unfunded priorities list; and the prioritization of projects/programs in the budget process;
- (c) ensuring that funding allocations are aligned to support strategic initiatives;
- (d) reviewing all project/program and/or service levels for potential reprioritization of funds, with recommendations from SBPP.

4.06 **Divisional Directors** are responsible for:

- (a) approving budget documents for their respective divisions prior to SLT review.
- (b) consulting with their respective *Account Leads* to ensure that strategic priorities are supported, and that funding is allocated appropriately.
- (c) ensuring that all unfunded divisional priorities are included in TRCA's priority unfunded projects/programs document.
- (d) ensuring that financial impacts for their associated division, to the extent they are known, are communicated to SLT and Board of Directors.

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4.07 Strategic Business Planning and Performance business unit is responsible:

- (a) preparing reports for review and approval at both SLT and the Board of Directors which summarize all annual budget documents, as required;
- (b) preparing reports for review and approval at both SLT and the Board of Directors regarding all multi-year forecasts, as required;
- (c) providing all internal and external stakeholders with required communications regarding all multi-year budgets, forecasts, plans for funding, and discussions regarding unfunded priorities;
- (d) submitting a Notice of Levy to all Partner Municipalities as per O.Reg. 139/96 Municipal Levies;
- (e) provide innovative, strategic and professional advice and recommendations regarding all budget and funding allocations submitted to CFOO and CEO in support of ensuring the corporate strategies and vision are aligned and attainable;
- (f) working with *Account Leads* to verify budget documents account for: stakeholder appetite; internal and external strategic alignment; financial sustainability; and internal capacity;
- (g) At the request of staff, updating budgetary documents, and create *BIT* account records for all new unfunded priorities;
- (h) providing ongoing training, leadership and direction in the completion of all corporate budget submissions for projects/programs, securing funding, and advises on all inputs into the *BIT*; and
- (i) meeting with divisional directors to verify timing, costs, and review all revenues and expenditure in partnership with CFOO.

4.08 Account Leads are responsible for:

- (a) developing the 1, 4 and 10-year budget which includes revenue and expense projections for related accounts in partnership with SBPP and the respective Director;
- (b) providing project/program rationale and scope and include detailed annual tasks within the *BIT* to enable SBPP to develop specific, measureable, attainable, realistic and time-bound (SMART) *deliverables*;

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- (c) reviewing the unfunded priorities short and long list and make any required modifications or updates to the existing projects on the list, and provide any additional documentation as required.

5. REFERENCES and RELATED STATEMENTS of POLICY and PROCEDURE

- 5.01 CS-6.01 Strategic Business Planning
- 5.02 CS-6.04 Variance
- 5.03 Tangible Capital Asset Policy

6. PROCEDURE

Partner Municipality

- 6.01 SBPP will initiate the levy approval process by using the previous multi-year levy targets that approximates recent historical average increases.
- 6.02 In the event that the Board of Directors requests an increase above the historical average, TRCA staff must comply with all relevant regulations under the Conservation Authorities Act.
- 6.03 SBPP in partnership with SLT shall consult with senior management staff at each Partner Municipality to confirm alignment on key strategic initiatives and priorities.

Operating and Capital Budget

- 6.04 Account Leads are responsible for developing detailed budgets for all projects/programs inclusive of operating, capital and special accounts. SBPP will initiate this process, prepare background documentation and work with Account Leads to plan all required detailed allocations, revenues and expenditures for the upcoming fiscal year.
- 6.05 Accounts Leads will also be required to plan the forecasted detailed allocations of expenditures and revenues for all projects/programs for the following three years to align with our Partner Municipalities Term of Council.

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- 6.06 SBPP will confirm that all supporting documentation and funded priorities will be aligned to TRCA's Strategic Plan.

Multiple-Year Forecast

- 6.07 SBPP is responsible for working with internal and external stakeholders in the establishment of the six partner municipal apportionments which are used to create annual and multi-year plans for funding.
- 6.08 SBPP will work with Account Leads to prepare budget estimates to identify the preliminary multi-year forecast requirements at existing service levels.
- 6.09 SBPP will work with Account Leads to incorporate adjustments for annualized costs and inflation into the preliminary multi-year forecast. All pertinent assumptions used must be approved by the Board of Directors.
- 6.10 Following consensus on the preliminary apportionment envelope, SBPP submits the preliminary multi-year forecast to stakeholders depending on the individual requirements of each Partner Municipality.
- 6.11 All Board of Director approved budgets will be circulated by SBPP to Partner Municipalities and internal and external stakeholders.
- 6.12 As required, TRCA delivers a presentation and any additional documentation to stakeholders which outlines strategic priorities and communicates how the funding translates into accomplishments and desired outcomes.

Operating Budget

- 6.13 Once the preliminary operating budget is balanced to the annually defined targets, SBPP will submit the annual budget to SLT for review and approval along with an additional three year forecast for review. As required, SBPP will work with Account Leads and SLT to ensure that all interests are represented.
- 6.14 If modifications are made, the annual preliminary operating budget would be resubmitted to SLT for final review and approval.
- 6.15 Once SLT has approved the preliminary annual operating budget, SBPP submits all required documentation to the Executive Committee and Board of Directors for review and approval.

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- 6.16 Following the Board of Director approval, SBPP shall submit a Notice of Levy to all Partner Municipalities as per O.Reg. 139/96 Municipal Levies.

Capital Budget

- 6.17 Once the preliminary capital budget is balanced to the Partner Municipalities funding envelopes, SBPP will submit all required documentation to SLT for review and approval along with an additional three year forecast for review. As required, SBPP will work with Account Leads and SLT to ensure that all interests are represented.
- 6.18 If modifications are made, the annual preliminary capital budget would be resubmitted to SLT for final review and approval.
- 6.19 Once SLT has approved the preliminary capital budget, SBPP submits all required documentation to the Executive Committee and Board of Directors for review and approval.
- 6.20 Following approval by the Executive Committee and Board of Directors, SBPP shall deliver to each Partner Municipality, an approved budget submission.
- 6.21 SBPP shall act as TRCA's point of contact for all communications during the budget process.
- 6.22 As required, SBPP shall submit a report to the Executive Committee and Board of Directors in the event of major modifications.
- 6.23 SBPP provides each Partner Municipality with the final capital budget submission.
- 6.24 Once the Partner Municipalities have approved the submission, SBPP shall submit a final report to the Executive Committee and Board of Directors for approval.
- 6.25 Following the Board of Director approval, SBPP shall submit a Notice of Levy to all Partner Municipalities as per *O.Reg. 139/96 Municipal Levies*.

Special

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- 6.26 Where there is potential for special funding or where special funding has been received, Account Leads are responsible for ensuring compliance to the Strategic Business Planning Policy (SBPP1) for all approvals and workflow.
- 6.27 Account Lead and Divisional Director is responsible for working with SBPP to create the required documentation and budget.

Unfunded Priorities List

- 6.28 The coordination of the corporate unfunded priorities list is managed by the SBPP business unit. As such, SBPP shall circulate the existing list to all Directors and Account Leads.
- 6.29 Account Leads shall review all existing project information and, with the approval of their relevant Directors, shall be responsible for providing SBPP with any changes or modifications to the project information including the total cost, start year, staff lead etc.
- 6.30 If Directors are requesting that a new project be added to the unfunded priorities long-list which is not outside of the scope of TRCA's existing business stream, information such as name, total cost, multi-year forecast, start date, Account Lead etc must be provided to SBPP.
- (a) In addition, the Director or Account Lead must also request an unfunded priorities account code from SBPP which will be added to the BIT. The Account Lead shall input all required project information into the BIT prior to the item being added to the unfunded priorities long-list.
- 6.31 If Directors are requesting that a new project/program be added to the unfunded priorities list that is not currently part of TRCA's existing business stream, the Strategic Business Planning Policy must be followed prior to adding the item on the unfunded priorities list.
- 6.32 For all new additions on the unfunded priorities list, Directors must also specify the motivation for the unmet need based on the following 3 categories: mandatory, Board of Director initiated, or staff recommended.
- 6.33 As required, SBPP shall submit the unfunded priorities long-list for information to SLT.

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- 6.34 SBPP shall conduct an analysis of the unfunded priorities long-list and select projects that best fit the following criteria: stakeholder appetite; internal and external strategic alignment; financial sustainability; and internal capacity.
- 6.35 SBPP makes recommendations to the short list – prioritization matrix
- 6.36 SBPP shall submit recommendations for all projects on the partner municipality short-list to SLT for approval.
- 6.37 Following SLT approval, SBPP shall submit the unfunded priorities short-list to the Executive Committee and Board of Directors for approval.
- 6.38 Once the Partner Municipality shortlist is approved, SBPP shall provide Partner Municipalities with the final unfunded priorities short-list for consideration within their annual budget process.

7. DEFINITIONS

“Account Lead” means the assigned staff who oversee the planning, tracking and monitoring of projects/programs and the associated information within the *BIT*.

“Annualized Cost” means any costs approved in the prior years’ budget that were included for only part of the year are converted to a 12-month period and included in the base level budget.

“Business Intelligence Tool” (*BIT*) means TRCA’s corporate platform that users input and track all *project/program* information necessary to manage and allocate resources for the greatest potential benefit. The system captures and integrates key inputs to organizational operation including finances, staff, assets and materials, contracts, daily time and resource consumption, and background information and directives. With these inputs, the real costs of programs and *deliverables* can be readily established and the relationship on investments to outcomes examined.

“Capital Budget” means a plan of proposed *capital expenses* to be incurred and an identification of the method of financing.

“Capital Expenses” mean direct construction or development costs (such as materials and labour), overhead costs directly attributable to the construction or development activity and betterments of tangible capital assets, which are owned by TRCA. For further information, please refer to TRCA’s *Tangible Capital Asset Policy*.

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“Deficit” means an excess of expenses over revenues.

“Deliverable” means a product or service created to achieve a *project/program* objective or satisfy a key milestone. *Deliverables* must be:

- Specific** - Define the scope of what you are trying to accomplish while addressing the who, what and where.
- Measurable** - State the measures and performance specifications you will use to determine whether you’ve met your objectives.
- Achievable** - Choose objectives where you have a reasonable expectation of successfully completing.
- Relevant** - Set objectives that are attainable and that align with strategic objectives.
- Time-based** – *Include the date or specific period by which you’ll achieve the objectives.*

“Fiscal Year” means the twelve-month accounting period for recording TRCA’s financial transactions. The Authority’s *fiscal year* is January 1 – December 31.

“Operating Budget” means plan of proposed expenses relating to the organization’s non-capital projects and programs and an identification of the method of financing.

“Operating Expenses” mean expenditures to be included in the organization’s *operating budget* include: (a) salaries, per diems and travel expenses of employees and members of an authority; (b) rent and other office costs; (c) program expenses; (d) costs that are related to the operation or maintenance of tangible capital assets, but not including *capital expenses*; and (e) such other costs as may be prescribed by the Conservation Authorities Act.

“Reserve” means accumulated *surplus* which is intended to finance unforeseen costs related to ongoing operations or unfunded *capital expenses* for the organization.

“Surplus” means an excess of revenues over expenses.

“Tangible Capital Assets” mean non-financial assets having physical substance that: (i) are held for use in the production or supply of goods and services, for rental to others, for administrative purposes or for the development, construction, maintenance or repair of other tangible capital assets; (ii) have useful economic lives extending beyond an accounting period; (iii) are to be used on a continuing basis; and (iv) are not for sale in the ordinary course of operations. Includes TRCA’s tangible capital assets are infrastructure, buildings and building improvements, land improvements, machinery and equipment and vehicles.

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“Term of Council” means the four-year election cycle whereby partner municipality council members are elected.

“Unfunded Priorities List” means a budget document which outlines funding pressures that are not currently allocated in the organizations existing budget. This includes an increase in service level, additional staffing, or new programs or modifications that are not part of the base *operating budget* from the previous year. SLT reviews all unmet need requests and then categorizes the requests into three *unmet needs* categories:

- (a) **Mandatory** – Projects/programs which are due to new or changes to existing legislation;
- (b) **Partner Municipality Initiated** – Project/programs arising out of partner municipality requests; and
- (c) **Staff Recommended** – Projects/programs which are all other discretionary items or services to be considered over and above base budget funding. These items or services can include new programs, new services, increases in staff complement, increases in service levels, increases to *reserve* fund allocations or any other discretionary budget increase. All *unmet needs* are presented to SLT and the Board of Directors for review and endorsement. Should there be sufficient funds or an urgent need for the staff, service or program, the highest priority pressure would receive the additional funding.