



Policy

Policy Name:	Capital Budget Financial Monitoring Policy
Policy Owner:	Corporate and Financial Services – Financial Services
Approved by:	Council
Effective Date:	November 9, 2021
Date of Last Revision:	November 9, 2021
Review Date:	Every four years or as required
Procedure Status:	New

Overview:

The City of Richmond Hill's Council and staff are committed to demonstrate responsible financial leadership and sustainability by establishing a Capital Budget Financial Monitoring Policy to assist in formalizing a defined and transparent process for administration, management and reporting of one-time capital budget requests and funding outside the capital budget process.

The current City by-laws that relate to capital budgets provide guidelines on capital purchases amendments within approved budget with the exception of emergency projects and scope changes related to existing capital projects. In the interest of maximizing operational efficiency and addressing time sensitive opportunities that may arise prior to capital budget approvals, it was recommended as part of the 2020 Capital Budget LEAN review to establish a Policy that delegates interim Capital Budget authority to address in-year capital budget requests and at the same time ensures clear control frameworks and reporting mechanisms are in place.

The Capital Budget Financial Monitoring Policy is designed to work in conjunction with provincial regulations, Municipal Act and other City Policies and By-laws. This includes policies, by-laws and standards related to procurement, risk management and financial control.

Purpose:

During any given year, requests are made for capital spending and funding outside of the capital budget process as a result of new information or re-alignment of project priorities.

The policy:

- Provides an accountability framework that establishes the extent of authority for spending and funding decisions outside of the annual budget process and outlines the discretion permitted in the spending decisions within the authority as delegated by Council.
- Links accountability with the responsibility for timely service delivery and provide an element of flexibility to respond to evolving circumstances and manage opportunities and priorities.

- Assists in maximizing operational efficiencies and clearly defines the roles, responsibilities and authorizations for requesting, administering and reporting capital budget adjustments related to both planned and unplanned capital projects.
- Ensures all budget and funding adjustments done outside the capital budget process and presented in a standalone Council staff report are presented to Council at least once a year as part of the Capital Project Status Report as referenced in “Reporting Requirements” section on page 9 below.

Definitions:

For the purpose of this policy the following definitions have been provided:

Accountability

“Accountability” means, the willingness of the City to be held responsible to the public for decisions made and policies implemented, as well as its actions or inactions.

Capital Budget

“Capital Budget” means the estimated sums required for the undertaking of a Capital Project and related services as approved by Council. If a project has multiple budget adjustments already approved by Council either through Capital Budget, Capital Project Status Report or separate in-year staff report the “Capital Budget” means all Council approved budget adjustments to date.

Capital Project

“Capital Project” means a project approved by Council and detailed within the City’s adopted Capital Budget. Capital projects with multiple components approved separately in the Capital Budget may be grouped together to achieve efficiencies (i.e. Design and Construction); the group will be treated as a single capital project for budget purposes.

Capital Project Financial Status Report

“Capital Project Financial Status Report” means a staff report provided to Council to communicate the status of capital projects, both ongoing and recommended to close, a summary of budget and funding adjustments done after capital budget approval and the impact on the reserves and reserve funds and the summary of changes of capital projects for the reporting period.

City

“City” means the Corporation of the City of Richmond Hill.

Council

“Council” means, the Council of the City of Richmond Hill.

Emergency

“Emergency” means the emergency procurement as defined in the Procurement Policy;

Over Budget

“Over Budget” means an item that has been budgeted for, but for which is anticipated to exceed the approved budget. Referenced in “Existing Projects” section on page 7 below.

New Project

“New Project” means a project that has not had any budget approved.

Scope Change

“Scope Change” means a cost that arises after the commencement of a Capital Project for an item or matter that is not within the defined Council approved scope.

Staff

“Staff” means, all full-time and part-time persons hired by the City of Richmond Hill including the CAO, Commissioners, Directors, Managers, Supervisors, Salaried Employees’ Association staff, members of C.U.P.E. Local 905.16 Richmond Hill Unit, members of the Richmond Hill Professional Fire Fighters Association, Local 1957, Administrative staff, contract and temporary employees, students, secondments, and co-op placement staff.

Transparency

“Transparency” means, operating in an accessible, open, clear and visible manner which allows the public to follow and understand the decision making process and encourages public participation.

Unforeseen

“Unforeseen” means any unplanned situation/project deemed important to the City, where quick action is required and must be commenced in the current fiscal year prior to the next capital budget cycle. Details on unforeseen situations are referenced in section 1.3 on page 5 below.

Scope

This policy applies to all staff responsible for capital budget management and reporting of capital projects.

Policy

A considerable effort is expended in assessing the capital projects that are included in the Capital Budget. However, throughout the year, there may be a need to commence or otherwise commit to a project that was not anticipated during the annual capital budget or additional funds may be required for an existing project.

This policy provides the framework for requesting, authorizing, monitoring and reporting these adjustments for the following situations:

- Unplanned situations for which no budget was previously established or approved:
 - Grants or third party funded projects
 - Emergency purchases

- Unforeseen – new, scope, efficiency, time sensitive projects
- Existing projects for which a budget increase is required

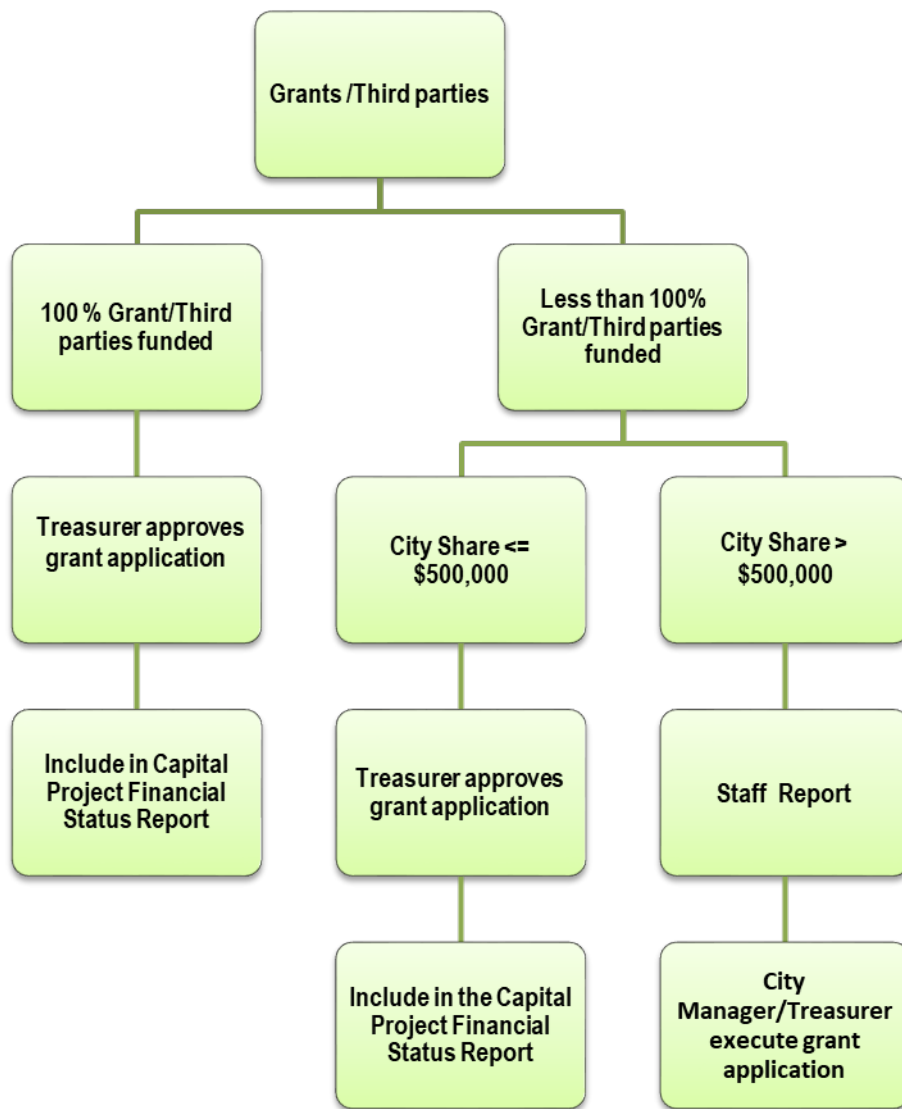
1. Unplanned situations for which no budget was previously established or approved

Depending on the situation, departments submit their request, using the documentation process outlined in the 'Requesting Documentation' section on page 9, for new projects budget and funding outside budget approval process as follows:

1.1 Grant or third party funded projects

At times grants or third party funding becomes available after capital budget approval. Grant applications are time sensitive and come with tight timelines. This policy allows staff to start and submit grant applications in a timely manner while receiving below approvals in order to secure the funds:

- When grant or third party funds are 100% of the capital project cost (there is no City share or co-payment), the Treasurer approves the application. If the application is successful, the new capital project is approved and the project cost and the respective funding are reported to Council as part of the Capital Project Financial Status Report.
- If grant or third party funds are less than 100% of the project cost, and the City's share is less than \$500,000, Treasurer approves the application and the funding sources for the co-payment. If the application is successful, the new project is approved and the project cost and the respective funding are reported to Council as part of the Capital Project Financial Status Report.
- If grant or third party funds are less than 100% of the project cost, and the City share is more than \$500,000, Strategy and Government Relations staff in consultation with the department will prepare a staff report to Council for approval prior to grant application. Once Council approves the staff report, the City Manager and Treasurer execute the application. Capital spending will be authorized and projects may commence only after successful application confirmation is received.



1.2 Emergency purchases for capital projects

Expenditures of an emergency nature shall be subject to the provisions of the applicable clause of the Procurement By-law. The commissioner's approval is required, the Treasurer is informed to advise and approve funding. The project cost and funding are reported to Council as part of the Capital Project Financial Status Report.

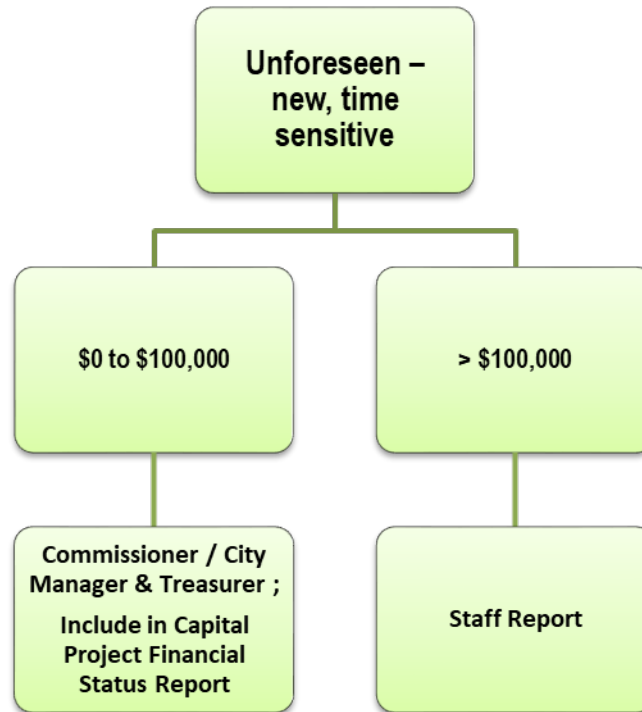
1.3. Unforeseen - new, time sensitive projects

Unbudgeted capital expenditures for new projects due to unforeseen situations, new scope, efficiency that are time sensitive and deemed essential may be undertaken provided that the applicable approvals are obtained prior to commitment and reported to Council as illustrated in the below diagram.

Commissioners, with the concurrence of the City Manager, upon recommendation from Directors may authorize a budget allowance not exceeding \$100,000 through the approval of the In Year Capital Budget Request Form (developed as internal document). The Treasurer will be notified and authorizes

the appropriate funding commitments. The budget allowance must be included in the next Capital Project Financial Status Report to Council.

For all requests exceeding \$100,000 departments will have to write a staff report and obtain Council approval directly.



Unforeseen situations may include but are not limited to:

- Decline in service level that need to be addressed immediately;
- New information that was not available at the time of the capital budget request;
- New legislative requirements;
- Capital expenditures that require payments to regulated authorities as defined in the Procurement by-law such as CN Rail, VIVA, York Region Transit, Enbridge and/or other utilities or telecommunication organizations operating within and across municipal right-of-ways or other City lands;
- Efficiencies related to procurement complications (HST rebate);
- Project scope change identified;
- New and/or enhanced service level.

Change orders due to scope change for capital purchases should continue to be subject to the delegated authority section of the Procurement By-law and Financial Control by-law that provide for delegated authority for the City Manager jointly with Commissioners for a maximum of 10% of acquisition value or \$100,000, given that budget is not exceeded.

2. Existing projects

The life of capital projects may range from under a year to several years and as such the requirements, conditions and estimates may change, resulting in variances from the originally approved budget due to labor or materials cost increase, new regulatory requirements, site constraints, survey, unsuitable fill, etc.

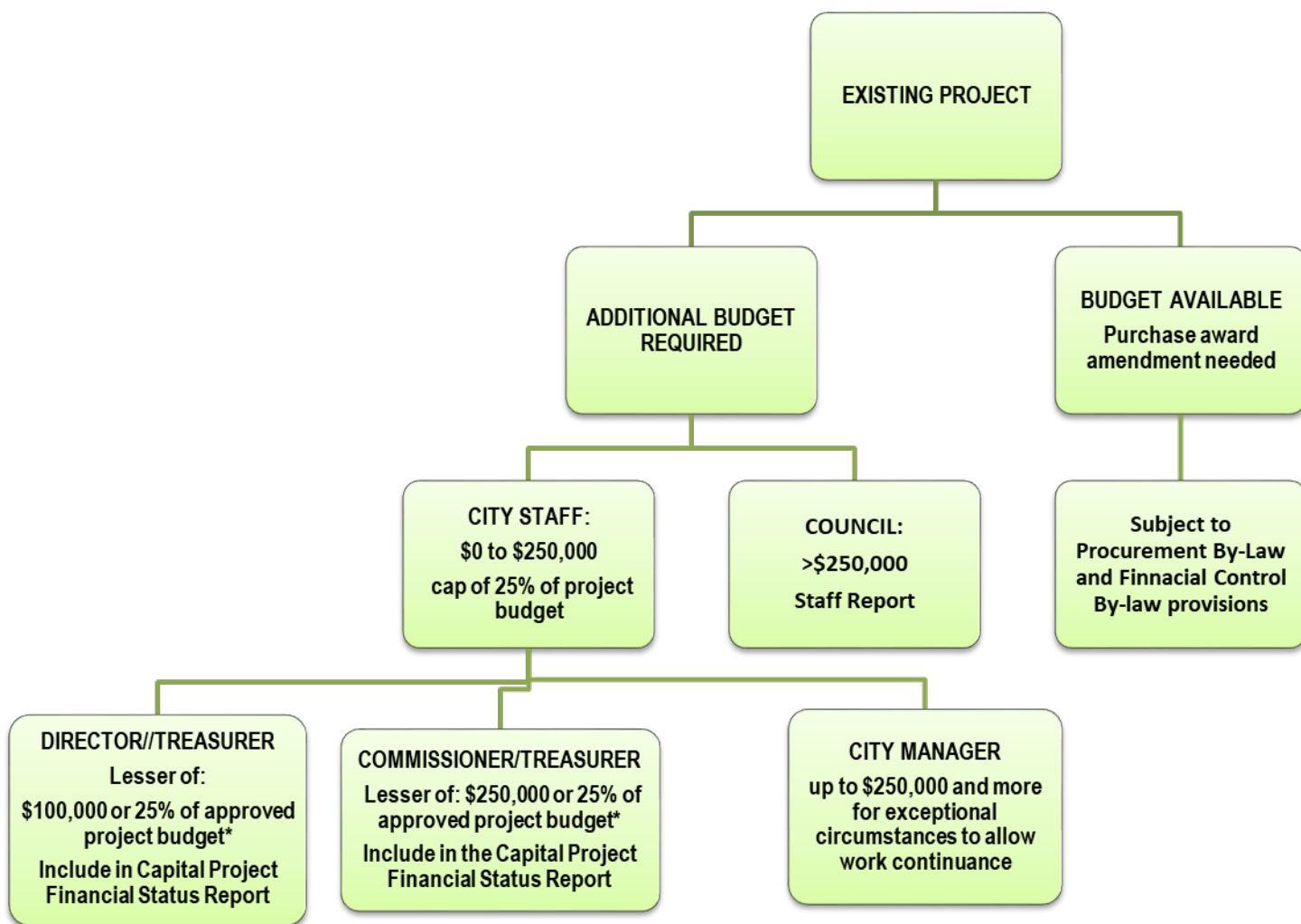
In cases where these changes exceed an established Council approved capital budget to date for a project (please refer to capital budget and capital project definition on page 1), project managers shall identify the required budget/purchase amendments required and secure the applicable approvals in collaboration with the Treasurer in advance of proceeding with any related purchase commitments.

In the interest of maximizing operational efficiency and reducing delays to complete the required works, the following additional budget allowances are permitted under the conditions listed below and summarized in the below diagram:

- Directors with Treasurer's approval can approve an additional budget that is the lesser of \$100,000 or 25% of the Council approved capital project budget to date;
- Commissioners with Treasurer's approval can approve an additional budget that is the lesser of \$250,000 or 25% of the Council approved capital budget to date;
- City Manager may approve up to \$250,000.

These situations should be limited to reasonable events, the related projects are highlighted in the Capital Project Financial Status Report.

Additional commitments for capital projects shall not be authorized if the value of work will cause the project to be over expended by \$250,000. In this case, a departmental staff report will be required.



*The City Manager is authorized to approve additional spending for projects that were previously budgeted for to a maximum of \$250,000 subject to the availability of funds.

Under special circumstances (i.e. Council recess) when Council authorization cannot be achieved in a timely manner, the City Manager can approve work continuance with a follow up Council report outlining the situation and capital project amendments. Departmental memo to City Manager outlining the special circumstances and need for immediate resolution to prevent adverse financial or project outcomes is required.

Amendments to purchase awards may only be made to Fixed Price Contracts that are awarded through a Competitive Procurement in accordance with the provisions for approvals of contingencies and scope changes of the Financial Control By-law and **provided that additional funding is not required.**

Delegated Authority	City Manager	Commissioner	Director	Manager	Project Manager
Approving Contingency (Fixed Price Contracts Only)	Any amount	Up to 30% of Term Value	Up to 15% of Term Value	Up to 15% of Term Value	None

Requesting Documentation

Departments must forward all budget adjustment requests to senior management and Treasurer for consideration and approval as provided in this policy using the form attached as Appendix A for:

- Existing projects under \$250,000
- Unforeseen – new, scope change, efficiency, time sensitive projects less than \$100,000

The request should include:

- Project details (project name, project manager responsible, department, division, original year budget was approved)
- Project Type
- Cost detail (Council approved budget, additional budget request amount and percentage and revised budget amount)
- Reason for amendment
- Authorization (position, full name, signature, date)

Departments have the responsibility to complete the form and obtain the necessary approvals and submit to the Treasurer to validate the funding sources accuracy and availability.

Reporting Requirements

Financial Services will report to Council as part of the Capital Budget Process on the status of all capital projects and any in-year capital requests. Departments will be required to provide the capital project information and the necessary documentation in accordance with the procedures and timelines.

The report will provide an update of the status of active Capital Projects, including any recommended budget and funding adjustments, project closures, and a summary of the corporate performance for the reporting period.

Policy Review and Update

This Policy will be reviewed every four years or more frequently if determined appropriate by the Commissioner of Corporate and Financial Services and City Treasurer.

Roles and Responsibilities

Council:

- Approves the annual capital projects budgets and in-year staff reports for the spending and funding of new or existing capital projects.

City Manager:

- Responsible to establish administrative practices and procedures to carry out Council's decisions for administering any authority granted in accordance with policy.

Departments:

- Commissioners and Directors and delegated project managers are accountable to the City Manager and Council for their spending and are expected to deliver the projects within **approved budgets and scope**.
- Staff identify any new time sensitive projects or any unfavourable variance of existing projects and submit a request for approval to senior management and Treasurer or directly to Council via staff report.
- Request and approval authority varies depending on situation.
- Provide Budgeting and Financial Planning with capital status updates to facilitate reporting to Council.
Inform Commissioner and Executive Director or Council on a timely basis of any urgent, significant or material issues associated with a capital project.

Treasurer and Fiscal Planning & Strategy Section

- The Treasurer is responsible to ensure the necessary funding is available to finance the expenditures of both planned and unplanned capital projects.
- Fiscal Planning & Strategy Section monitors the capital budgets and provides departments with monthly capital project budget, actuals and outstanding commitments variance reports.
- The Financial Management Advisors may assist departments to identify the funding sources for the additional budget request.
- All requests for in-year new or budget adjustments of capital projects are submitted for Treasurer's approval to validate accuracy and availability of funding.
- Fiscal Planning & Strategy, in consultation with the Directors prepare the Capital Project Financial Status Report to inform Council on capital status of all projects and all in-year budget and funding adjustments not included in stand alone Council staff reports.
- Administers approved policy.