



Staff Report

Corporate & Financial Services

Report To: COW- Admin, Corp and Finance, SI, Comm. Services
Meeting Date: March 16, 2026
Report Number: CFS.26.019
Title: Budget Policy
Prepared by: Monica Quinlan, Director of Corporate & Financial Services

A. Recommendations

THAT Council receive Staff Report CFS.26.019, entitled "Budget Policy";

AND THAT Council approve the Budget Policy (POL.COR.26.XXX) attached as Attachment 1;

B. Overview

The purpose of this report is to present a proposed **Budget Policy** for Council's consideration. The policy establishes a formal framework for the preparation, monitoring, and administration of the Town's annual operating and capital budgets and provides clarity regarding financial reporting and variance approval requirements.

C. Background

Pursuant to section 290 of the Municipal Act, 2001, municipalities are required to prepare and adopt a budget for each fiscal year. While the Act establishes the requirement to prepare a budget, municipalities typically adopt internal financial policies to guide how budgets are prepared, monitored, and amended throughout the year.

Currently, the Town administers the annual budget through established financial procedures and Council approvals. However, the Town does not have a formal Budget Policy that clearly outlines variance thresholds, administrative authority, financial reporting expectations, and the relationship between the budget and other financial governance policies.

At its meeting of December 16, 2025, Council passed a resolution directing staff to bring forward a Budget Policy that would establish clearer financial governance practices, including variance reporting thresholds and improved transparency regarding capital estimate certainty. The proposed policy has been developed in response to that direction.

The policy also aligns with the Town's Procurement Policy and other financial governance practices by clarifying the respective roles of Council and administration in managing operating and capital budget variances throughout the fiscal year.

D. Analysis

Strengthening Financial Governance

The proposed policy establishes a formal structure for how the Town prepares, administers, and monitors its annual budget. The policy clarifies Council's role in approving the budget and defines the circumstances under which budget variances must be brought forward to Council for approval.

In particular, the policy establishes an operating variance threshold whereby Council approval is required when an operating budget amendment exceeds \$25,000. Adjustments below this threshold may be managed administratively provided they are one-time in nature and comply with the Town's Procurement Policy.

The policy also aligns capital budget oversight with the Town's Procurement Policy by establishing clear authority levels for capital project budget adjustments. Council approval is required where capital project costs exceed the defined thresholds or where project scope or funding sources materially change.

Capital Estimate Certainty and Risk Disclosure

The policy introduces improved disclosure expectations for capital projects that are based on preliminary engineering estimates. Where reasonably practicable, budget documentation will identify the level of estimate certainty, contingency allowances, and management strategies used to mitigate financial risk.

This approach does not eliminate risk but strengthens transparency and ensures Council has greater visibility regarding the assumptions and financial considerations associated with capital projects.

Multi-Year Capital Projects

The policy also clarifies that for multi-year capital projects previously approved by Council, procurement activities and payments may continue in accordance with the total approved project budget even if annual budget phasing shifts. This ensures that project delivery can proceed efficiently while maintaining Council oversight of the total project cost.

Interim Spending Authority

The policy includes provisions to address situations where the annual budget has not been adopted prior to the start of a fiscal year. In these cases, interim spending authority is provided to allow the Town to continue operating while maintaining appropriate financial controls. During this period, expenditures are limited to previously approved programs and may not

exceed fifty percent (50%) of the prior year's approved operating budget unless otherwise authorized by Council.

Extraordinary Circumstances

The policy also recognizes that extraordinary or unforeseen circumstances may arise during the fiscal year that require immediate action. In such cases, the Chief Administrative Officer and Treasurer may authorize expenditures necessary to address matters related to public safety, legal obligations, regulatory compliance, or the protection of municipal assets, with reporting to Council at the earliest reasonable opportunity.

Multi-Year Budgeting

While the Town currently prepares an annual budget, the policy provides flexibility for Council to adopt multi-year operating or capital budgets in the future should Council determine that such an approach would support long-term financial planning and stability. This section should include the analysis that led to the recommendation, including an analysis of the risks of following through (or not) with the recommendation.

Conclusion

The proposed Budget Policy provides a clear and structured framework for how the Town prepares, monitors, and administers its annual budget. The policy strengthens financial governance by establishing defined variance thresholds, clarifying administrative authority, improving transparency around capital estimates, and aligning the budget process with the Town's Procurement Policy.

Adoption of this policy will enhance financial oversight while providing the flexibility necessary to effectively manage municipal operations.

E. Strategic Priorities

1. Communication and Engagement

We will enhance communications and engagement between Town Staff, Town residents and stakeholders

2. Organizational Excellence

We will continually seek out ways to improve the internal organization of Town Staff and the management of Town assets.

F. Environmental Impacts

N/A

G. Financial Impacts

There is no direct financial impact associated with the adoption of the Budget Policy.

The policy establishes governance and financial management practices intended to improve transparency, strengthen financial controls, and support responsible fiscal management.

H. In Consultation With

Vicky Bouwman, Supervisor of Accounting and Budgets
Serena Willgress, Manager of Purchasing & Risk Management

I. Public Engagement

The topic of this Staff Report has not been the subject of a Public Meeting and/or a Public Information Centre as neither a Public Meeting nor a Public Information Centre are required. However, any comments regarding this report should be submitted to Monica Quinlan, Director of Corporate & Financial Services directorcfs@thebluemountains.ca.

J. Attached

1. Draft Budget Policy – POL.COR.26.XXX

Respectfully submitted,

Monica Quinlan,
Director of Corporate & Financial Services

For more information, please contact:
Monica Quinlan, Director of Corporate & Financial Services
directorcfs@thebluemountains.ca
519-599-3131 extension 231

Report Approval Details

Document Title:	CFS.26.019 Budget Policy.docx
Attachments:	- Att 1 - POL.COR.26.XXX Budget Policy.pdf
Final Approval Date:	Mar 6, 2026

This report and all of its attachments were approved and signed as outlined below:

No Signature found

Vicky Bouwman - Mar 6, 2026 - 2:11 PM

No Signature found

Serena Wilgress - Mar 6, 2026 - 2:27 PM

Monica Quinlan - Mar 6, 2026 - 2:29 PM



Budget Policy

POL.COR.26.XXX
Policy Title

Policy Type: Corporate Policy (Approved by Council)
Date Approved: TBD
Department: Corporate and Financial Services
Staff Report: CFS.26.019 Budget Policy
By-Law No.: 2026-XXX-XX

Policy Statement

The Town of The Blue Mountains shall prepare, adopt, monitor, and amend its annual operating and capital budgets in accordance with this Policy to ensure financial sustainability, transparency, accountability, and alignment with Council priorities.

Pursuant to Section 290 of the Municipal Act, 2001, the Town is required to prepare and adopt a budget for each fiscal year. This Policy establishes the framework through which that statutory obligation is fulfilled and administered.

This Policy establishes clear variance reporting and approval requirements to ensure material financial changes are brought to Council in a timely and meaningful way.

Purpose

The purpose of this Policy is to:

1. Establish a formal framework governing the preparation and administration of the Town's annual budget;
2. Define Council approval requirements for operating and capital budget variances;
3. Formalize periodic financial reporting to Council;
4. Clarify the relationship between financial oversight under this Policy and delegated authority under the Procurement Policy; and
5. Promote long-term financial sustainability and responsible stewardship of public funds.

Application

This Policy applies to:

- Tax-supported operating and capital budgets;

- Rate-supported operating and capital budgets (including water and wastewater);
- Reserves and reserve funds as incorporated within the annual budget;
- All departments, divisions, and programs funded through the annual budget.

This Policy governs financial oversight, reporting and Council approval requirements. It operates alongside, and does not replace, the Town's Procurement Policy and other financial policies.

Definitions

Amendment means any modification to the Approved Annual Budget that changes previously approved expenditures, revenues, funding sources, or capital project budgets.

Approved Annual Budget: The operating and capital budget adopted by Council for a fiscal year.

Approved Project Budget (Total): The total funding approved by Council for an individual project, irrespective of annual phasing.

Base Budget: The cost of maintaining services at previously approved service levels.

Budget Variance/Shortfall: a projected or actual deviation from the approved budget that requires additional funding, reallocation, or other corrective action.

Non-Discretionary Adjustments: Budget adjustments arising from contractual, legislative, regulatory, or other obligations outside the direct control of the Town, including but not limited to collective agreement increases, debt servicing, insurance premiums, legislated employer contributions, and contractual escalations.

One-time Expenditure: An expenditure that does not create an ongoing financial commitment beyond the current fiscal year.

Service Level Change: An addition, reduction, or modification to the scope, frequency, standard, or method of delivering a service previously approved by Council.

Procedures

1. Budget Preparation Principles

- a) The annual budget shall distinguish between:
 - Base Budget;
 - Non-Discretionary Adjustments;
 - Service Level Changes; and
 - One-Time Expenditures.

- b) Recurring expenditures shall be funded from recurring revenues wherever reasonably practicable.
- c) One-time funding sources shall not be used to establish permanent service levels without Council approval and a defined funding plan.
- d) The Capital budget shall clearly identify each project, including:
 - o total project cost;
 - o the basis or level of estimate certainty and any contingency included (where applicable);
 - o the funding sources; and
 - o where the project involves construction or significant asset rehabilitation, reference to the study, environmental assessment, master plan, asset management plan, feasibility study, or other technical analysis that supports the works.

2. Multi-Year Budgeting

Council may, at its discretion, adopt multi-year operating or capital budgets where it is considered appropriate to support long-term financial planning and stability.

Where a multi-year budget is approved:

- a. Council shall retain the authority to amend or update future year estimates through the annual budget process; and
- b. The variance reporting and approval requirements established in this Policy shall continue to apply.

3. Financial Reporting

The Treasurer (or designate) shall report to Council on a quarterly basis regarding the financial status of the Town.

Quarterly reports shall include:

- a. Operating results compared to budget;
- b. Forecasted year-end projections (beginning in the 3rd quarter report); and
- c. Capital project status.

4. Operating Budget Variance Threshold

Council approval shall be required where an operating budget variance or amendment where any of the following conditions apply:

- a. The variance or amendment exceeds **\$25,000**;
- b. Where a variance or amendment requires a transfer from reserves not previously approved by Council.

Operating budget reallocations that do not exceed \$25,000 may be requested from the Treasurer and managed administratively provided:

- a. The adjustment is one-time in nature; and
- b. All delegated authority and approval requirements under the Procurement Policy are complied with.

5. Capital Budget Variance Threshold

For capital projects previously approved by Council, and where sufficient funding remains within the Approved Project Budget (Total), the Director may request that the CAO and Treasurer approve additional funding or reallocation within the project budget provided that:

- a. The shortfall does **not exceed twenty percent (20%)** of the Approved Project Budget (Total), **to a maximum of \$100,000**;
- b. The funding source remains unchanged; and
- c. Required approval documentation is completed.

Where the CAO and Treasurer approve additional capital funding between \$50,001 and \$100,000, the Director shall provide an information staff report to Council.

Council approval shall be required where:

- a. The capital project shortfall exceeds twenty percent (20%) of the Approved Project Budget (Total) to a maximum of \$100,000, whichever is less;
- b. A new capital project is proposed that was not included in the Approved Annual Budget;
- c. The scope of the project is materially altered; or
- d. A funding source change impacts levy, reserves, or debt beyond what was approved.

6. Multi-Year Capital Projects

For multi-year capital projects previously approved by Council, procurement activities and payments may continue in accordance with the Approved Project Budget (Total),

notwithstanding annual budget phasing, provided that the Approved Project Budget (Total) is not exceeded.

Where the Approved Project Budget (Total) is proposed to be exceeded, the approval requirements set out in Section 4 shall apply.

7. Capital Estimate Certainty

Where capital budgets are based on preliminary engineering estimates, budget documentation shall:

- a. Identify the basis or level of estimate certainty;
- b. Disclose associated financial risk; and
- c. Outline contingency provisions.

8. Interim Spending Authority

Where the Approved Annual Budget has not been adopted prior to the start of a fiscal year, the Treasurer may authorize expenditures necessary to maintain the ongoing operations of the Corporation.

During this interim period:

- a. Operating expenditures shall not exceed fifty percent (50%) of the prior year's approved operating budget, unless otherwise authorized by Council.
- b. Expenditures shall be limited to programs, services, and activities that were included in the prior year's approved budget.
- c. No expenditures shall be incurred for new programs, service level expansions, or capital projects that were not included in the prior year's approved budget unless specifically authorized by Council.
- d. Capital expenditures may proceed only for projects previously approved by Council or where necessary to address health, safety, regulatory, or legal requirements.

9. Extraordinary Circumstances

Where extraordinary or unforeseen circumstances (i.e. emergencies) arise that require expenditures not otherwise authorized within the Approved Annual Budget, the Chief Administrative Officer and Treasurer may authorize such expenditures where necessary to address matters related to public safety, regulatory compliance, legal obligations, or protection of municipal assets.

Any such expenditures shall be reported to Council at the earliest reasonable opportunity.

10. Administrative Authority

This Policy does not grant spending or contracting authority.

Budget Variances and reallocations that do not require Council approval under this Policy shall be managed in accordance with the delegated authority provisions of the Procurement Policy.

All administrative adjustments shall be disclosed through the quarterly financial reporting.

11. Relationship to the Procurement Policy

This Policy governs financial reporting and material variance oversight.

The Procurement Policy governs contract award thresholds and delegated procurement authority levels.

Where financial thresholds established in this Policy are triggered, Council approval shall be obtained regardless of delegated procurement authority levels.

Exclusions

This Policy does not:

- Establish procurement methods or tender thresholds;
- Replace the Reserve and Reserve Fund Policy;
- Override legislative requirements under the Municipal Act, 2001.

References and Related Policies

- Municipal Act, 2001 (Ontario)
- Procurement Policy (POL.COR.26.XX)
- Reserve and Reserve Fund Policy (POL.COR.26.XX)
- Asset Management Plan

Consequences of Non-Compliance

Failure to comply with this Policy may result in corrective administrative action and may require Council review. Repeated or significant non-compliance may be addressed in accordance with applicable employment policies.

Review Cycle

This Policy shall be reviewed at least once per Council term.