



Budget Policy

POL.COR.26.02

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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.26.03)
- Reserve and Reserve Fund Policy (POL.COR.26.04)
- 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.