

POLICY TITLE	Budgets - Operating
CATEGORY	Administrative
POLICY NUMBER	ADMIN-004
LEGISLATION	
POLICY OWNER	Finance, Risk, and Supply Chain
ACCESS	Public

1. PURPOSE

1.1. The purpose of this policy is to outline the requirements for Operating Revenues and Expenditures, including authorization requirements, for the City of Vancouver.

2. SCOPE

2.1. This policy applies to all Operating Revenues and Operating Expenditures undertaken by the City of Vancouver.

2.2. This policy will apply to the Boards and City Affiliates where and to the extent that each such entity adopts operating budget policies aligned with this policy.

2.3. The City of Vancouver is required by the Vancouver Charter, Library Act and Police Act to produce a consolidated operating budget incorporating the separate internal budgets of the Board of Parks and Recreation, the Vancouver Public Library Board, and the Vancouver Police Board, and is required by Public Sector Accounting Standards to include the Vancouver Downtown Parking Corporation (aka EasyPark) in its consolidated financial statements. To the extent of these requirements, this policy applies to these requirements but subject always to the independent internal policies and budget decisions of these external boards.

2.4. This policy is intended to supplement and provide operational clarity and promote best practices within the statutory requirements relating to budgeting set out in the Vancouver Charter, Police Act, and Library Act, excerpts of which are attached in Appendix "A".

DEFINITIONS/INTERPRETATION

a) Interpretation

i) All references in this policy to an employee, official, officer or other representative of the City is deemed to include any designate, deputy, or anyone

else properly authorized in writing or by Council resolution to act in that person's position.

- ii) Where a position title or name is changed following the adoption of this policy, due to a re-organization of the City's functions, or for any other reason, the City Manager will have the authority to amend this policy to reflect such change or re-organization.
- iii) The City Manager will have the authority (in consultation with the Director of Finance and City Solicitor) to approve (in writing) any request from any Department Head for authority to sub-delegate any authority granted in this policy to a Department Head.

b) Definitions - In this policy, the following terms have the following meanings:

"Accrual Accounting Basis" is a basis of accounting used to prepare financial statements in accordance with the PSAB Public Sector Accounting Standards Handbook. Revenues are accounted for in the period in which the transactions or events occurred that gave rise to the revenues. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

"Annual Budget Report" is the report to Council that contains the Annual Operating Budget and Capital Budget.

"Annual Consolidated Operating Budget" is the annual budget for the operations of the City of Vancouver Departments and Boards, including revenue, expenditures and any transfers to or from Reserves or Other Funds.

"Annual Operating Budget" is the annual budget approved by City Council for the Revenue Fund, including revenue, operating expenditures and any transfers to or from Reserves or Other Funds.

"Boards" means the Vancouver Board of Parks and Recreation, the Vancouver Public Library Board, and the Vancouver Police Board.

"Budget" means the amount approved by Council as "the approved budget" which is referred to in the Vancouver Charter as the "adoption of estimates" in each year (Sections 200, 202, and 219) and, depending on the context in this policy, may mean the Operating Budget, Capital Budget, budgets for the City's Other Funds, its Departments, Boards and City Affiliates.

"Budget Account" means a category or group of Budget Line Items which are segregately defined and grouped together as a distinct category or group, as determined by and approved by the Director of Finance from time to time (and then typically recorded as such within the general ledger of accounts in the accounting system utilized by the Director of Finance).

"Budget Line Item" refers to any Operating Revenue or Operating Expense item which has its own separate dollar amount and segregated description within the Annual Operating Budget.

“Budget Outlook” refers to a report to Council in advance of the Annual Budget Report that provides the economic and financial outlook for the upcoming budget.

“Budget Transfer” means any transfer of an amount initially recorded within one Budget Line Item to a different Budget Line Item.

“Capital Expenditures” has the meaning set out in the Capital Budget Policy (ADMIN-005).

“City” means the City of Vancouver.

“City Affiliates” means any separate entity that is considered controlled by the City for purposes of PSAB and are part of the Consolidated Operating Budget. These entities are identified in the Budget Outlook and Annual Budget Report and include but are not limited to the Vancouver Economic Commission, Vancouver Affordable Housing Agency Ltd., Vancouver Public Housing Corporation, Vancouver Civic Development Corporation, Harbour Park Development Corporation, The Hastings Institute Inc., Vancouver Downtown Parking Corporation (aka “EasyPark”), and the Pacific National Exhibition.

“Consolidated Operating Budget” includes Revenues, Expenditures and Transfers for all Departments, Boards and City Affiliates entities.

“Department” means the departments of the City, led by General Managers reporting to the City Manager, excluding Boards and City Affiliates.

“Departmental Budget” means a group of Budget Line Items which are segregately defined and grouped together to show those Budget Line Items applicable to and to be administered by, each Department as determined by and approved by the Director of Finance from time to time (and then typically recorded as such within the general ledger of accounts in the accounting system utilized by the Director of Finance).

“Department Head” refers to any General Manager or Chief of a Department or Board.

“Director of Finance” means the person appointed by Council pursuant to section 210 of the Vancouver Charter as the Director of Finance.

“Finance Committee” means the finance committee established under Section 9 of this policy.

“Multi-Year Operating Contract” means a contract obligating the City to incur Operating Expenditures beyond the current budget year.

“Operating Expenses” are amounts paid or obligations that give rise to a liability in a given year, including but are not limited to salary obligations to employees, building occupancy costs, fleet costs, and other payments to third parties, but expressly excluding payments made for Capital (as that term is defined in the Capital Budget Policy).

“Operating Revenues” are amounts received or obligations of an external third party to pay money or transfer an asset in a given year, including but not limited to: taxation, fees, cost recoveries, grants, transfers from other levels of government, and Sponsorship Revenue, but

expressly excluding receipts for Capital (as that term is defined in the Capital Budget Policy).

“**Other Funds**” is a reference to the Capital Fund, Property Endowment Fund, Sinking Fund, and Capital Financing Fund.

“**PSAB**” means the requirements and standards published from time to time by the Public Sector Accounting Board, which publishes the Public Sector Accounting Standards Handbook (as updated and amended from time to time and which is a set of generally accepted accounting principles applied by public sector entities for financial reporting).

“**Reserves**” has the meaning set out in the Reserves Policy (AF-016-01).

“**Revenue Fund**” is the fund that receives the Operating Revenues and from which the Operating Expenses are paid for the operations of the City Department and Boards, and is distinct from Other Funds kept segregately by the Director of Finance to provide good governance of the City finances.

“**Specific Purpose Revenues**” means Operating Revenue received for a specific purpose (for example a donation made for a specific project or a contribution agreement requiring the funds to be used towards a specific project or program (but not a Capital Project)).

“**Sponsorship Revenue**” means any and all monetary receipts generated from any Sponsorship Agreement (as defined in the Sponsorship Policy) and includes Sponsorship Generated Surplus (as defined in the Sponsorship Policy).

“**Utility**” means the separate water, sewer, solid waste, and energy utilities authorized by Sections 300, 300.1, 302 and 303 of the Vancouver Charter and implemented via the following By-laws: 4848, 8093, 8417, and 9552.

2. POLICY STATEMENTS

1. Requirement to set a budget

- 1.1. The Director of Finance is to present an Annual Operating Budget for the upcoming year as a report to Council in December of each year. On an exception basis, as determined by the Director of Finance, such as may occur in the year of a municipal election, an internal working budget will be developed by December of that year, and a budget will be adopted by Council no later than April 30th of the following year as required by section 219 of the Vancouver Charter.
- 1.2. In any year in which the budget is not approved by Council before December 31st, Council may authorize expenditures as are necessary to carry on the business of the City until the budget is adopted, if the following conditions are met:
 - (a) the amounts for that Budget Line Item does not exceed the amount for the Budget Line Item in the prior Annual Operating Budget, and
 - (b) the expenditure is approved by at least two-thirds of City Council.

- 1.3. The City Annual Budget Report presented by the Director of Finance to Council is to include a balanced five-year financial plan. The five-year financial plan is to be based on a such financial sustainability guiding principles and financial health targets as are determined by the Director of Finance to be consistent with best practices so as to assist City Council in determining the optimal allocation of Operating Revenues and Operating Expenses. The approval by Council of the five-year financial plan is not considered an “adoption of the estimates” under the Vancouver Charter.
 - 1.4. The Operating Budget document presented to Council will also include an Annual Consolidated Operating Budget for the City.
 - 1.5. The Director of Finance is to work cooperatively with the Boards and City Affiliates to assist them to align their policies and practices as optimally as possible with this policy and the Capital Budget Policy.
 - 1.6. Budget Line Items related to matters of a confidential nature and required or permitted to be considered by City Council in a closed meeting pursuant to the Vancouver Charter will be presented separately to Council in a closed (aka in-camera) Council meeting, unless City Council otherwise directs.
- 2. Basis of Budgeting**
- 2.1. The Director of Finance is to present the Annual Operating Budget on an Accrual Accounting Basis, in accordance with PSAB, or expressly noting any exception to PSAB.
 - 2.2. The Director of Finance is to present the Annual Consolidated Operating Budget on an Accrual Accounting Basis, in accordance with PSAB, or expressly noting any exception to PSAB.
- 3. Requirement for the City’s Annual Operating Budget to be Balanced**
- 3.1. The Director of Finance is to present an Annual Operating Budget that is balanced: Operating Revenues and Operating Expenses must be equal, net of transfers to or from Reserves and Other Funds.
 - 3.2. Subject to section 3.3, Council may amend the Annual Operating Budget at any time throughout the year, including amendments requested by the Boards or City Affiliates (see section 493 of the Vancouver Charter, section 10 of the Library Act, and section 27 of the Police Act, as applicable).
 - 3.3. Despite section 3.2, amendments to the Annual Operating Budget may only be approved by Council if the Annual Operating Budget remains balanced. This is typically achieved by transfers from Reserves or where there is a larger than estimated source of Operating Revenues.
- 4. Operating Expenditures Must be Authorized by Annual Operating Budget and Expenditure Authority and Financial Control Policy**

4.1. Except where otherwise authorized by Council, this policy, the Expenditure Authority and Financial Control Policy, or another policy approved by Council, the Director of Finance will only authorize spending in relation to a Budget Line Item that is not in excess of that same Budget Line Item of the Annual Operating Budget.

4.2. Despite section 4.1, the Director of Finance and the City Manager may approve

- (a) Budget Transfers, or
- (b) Budget Increases to a Departmental Budget,

if they are not in excess of \$750,000 in aggregate for any given year for any given Department, and only where the Director of Finance has determined that such adjustments can be made from Reserves or Operating Revenues (including where applicable new Operating Revenues approved by the Director of Finance as being allocable to such Budget Transfer or Budget Increases) such that the Annual Operating Budget remains balanced.

4.1. Despite section 4.1, the Department Head and Director of Finance may approve Budget Transfers of up to \$200,000 per budget line item, but only where the Director of Finance has determined that such adjustments do not result in an annual operating budget that is unbalanced as defined in section 3.1.

5. Authority to Delegate Expenditure Authority:

5.1. Despite section 4.1, the Director of Finance may sub-delegate the expenditure authority limits of the Director of Finance to Department Heads and other City staff as determined by the Director of Finance from time to time.

5.2. The Director of Finance will document these sub-delegations of expenditure authority limits and controls in the Expenditure Authority and Financial Control policy, and the Director of Finance may amend same at any time and from time to time.

5.3. Department Heads are responsible for ensuring that appropriate processes are in place in their Departments to ensure that their staff comply with the Expenditure Authority and Financial Controls Policy and all other applicable sections of this policy.

6. Allocation of Revenues

6.1. All Operating Revenues will be categorized as general revenue of the Revenue Fund except as otherwise provided in this Section 6 for the purposes of determining revenue offsets as described in section 4.2 of this policy. The Operating Revenue to be allocated to the Revenue Fund includes amounts received from the general assessment-based tax levy, program and user fee revenue related to City operations, revenue sharing from other levels of government, rental income, and other revenues as described in the annual budget report.

-
- 6.2. Utility Revenues: Operating Revenues generated by a Utility will only be allocated to that Utility.
 - 6.3. Revenue Generating Departments: Where a Department provides a service which generates Operating Revenue, such as Civic theatres, the Operating Revenues from the service will be allocated to that Department's Departmental Budget, but only where the Director of Finance has made this determination.
 - 6.4. Board Revenues: Operating Revenues generated by Boards will be allocated to the Board which generated the Operating Revenue.
 - 6.5. Other Fund and City Affiliate Revenues: Revenues related to the operations of other funds and City Affiliates will be allocated to those funds and entities.
 - 6.6. Specific Purpose Revenues: Specific Purpose Revenues will be allocated to the Departmental Budget which is incurring the Operating Expenses connected with such Specific Purpose Revenues or as determined by the Director of Finance.
 - 6.7. Sponsorship Revenue: Sponsorship Revenue will be allocated by the Sponsorship Review Group in accordance with the Sponsorship Policy.
 - 6.8. Where there is any question as to how any particular Operating Revenue is to be allocated (aside from Sponsorship Revenue), the Director of Finance will determine the appropriate allocation in accordance with this Section 6.
- 7. Allocation of Operating Expenses - Utility Levies and User Charges**
- 7.1. All Operating Expenses will be categorized and allocated generally in accordance with PSAB unless otherwise determined by the Director of Finance.
 - 7.1B. Where there is any question as to how any particular Operating Expense is to be allocated, the Director of Finance will determine the appropriate allocation in accordance with this Section 7.
 - 7.1A The Director of Finance is to present the proposed Operating Revenues and Operating Expenses (and associated rates, fees, and other charges, and costs) for each Utility to Council for approval as part of the Annual Operating Budget.
 - 7.2. Operating Expenses incurred in relation to a Utility will be allocated to that Utility (but only such Operating Expenses).
 - 7.3. Subject to Section 7.4, the Operating Revenues and Operating Expenses relating to each Utility must be balanced on an annual basis.
 - 7.4. Despite Section 7.3 where, pursuant to the Reserve Policy, the Director of Finance has authorized the Operating Revenue and Operating Expenses to be balanced against year over year fluctuations in rates due to both planned and unplanned costs, by way of deposits into and withdrawals out of an applicable

Utility's Reserve, such deposits and withdrawals may be authorized by the Director of Finance.

8. Council Contingency

- 8.1. As part of the Annual Operating Budget, the Director of Finance will present for Council's approval, a Budget Line Item called "Council Contingency" for any unanticipated or unavoidable expenses encountered after Council's approval of the Annual Operating Budget.
- 8.2. Except where authorized pursuant to procurement delegated authorities (Sole Source approved by City Manager or Chief Procurement Officer for emergency situations), Council must approve all expenditures to be paid for from the Council Contingency.

9. Finance Committee

9.1. Establishment of the Finance Committee

The Director of Finance has the authority to convene a Finance Committee which will consist of the following representation:

- a) The City Manager
- b) The Director of Finance

9.2. A quorum of the Finance Committee will be two voting members.

9.3. Authority of the Finance Committee:

- 9.3.1. The Director of Finance has the authority, as set out in Section 212 of the Vancouver Charter, to exercise general control and supervision over all financial affairs of the City.
- 9.3.2. The Finance Committee has authority, derived from the Director of Finance authority in Section 9.3.1., to set budget targets and direction on strategic priorities for the City as part of the process of balancing the overall Annual Budget.
- 9.3.3. The Director of Finance will, on behalf of the Finance Committee, present a Budget Outlook for the City to Council at the start of each annual budget process, which provides the context and factors that will influence the development of the City's Annual Budget and the Five-Year Financial Plan.
- 9.3.4. The Finance Committee has authority, derived from the Director of Finance authority in Section 9.3.1., to approve a proposed Annual Budget for the City, which incorporates draft budgets for the Boards and City Affiliates.

ISSUED BY: Director of Financial Planning & Analysis	APPROVED BY: Council	DATE: April 17, 2018
--	-------------------------	-------------------------

Appendix A -Applicable Vancouver Charter, Library Act, and Police Act provisions relating to the operating budget:

VANCOUVER CHARTER

[SBC 1953] CHAPTER 55

Part III – The Council and Its General Powers

Expenditures to be kept within estimates

200. (1) Except with the consent of the Lieutenant-Governor in Council, the Council shall not wilfully permit the total expenditures made in any year to exceed the amount allocated therefor in the estimates as adopted, but the Council may, except with respect to money allocated for

- (a) interest on debentures;
- (b) payments to sinking fund;
- (c) instalments of principal in respect of debentures;
- (d) amounts required for school purposes,

authorize the expenditure for some other lawful purpose of money allocated in such estimates for a specific purpose; provided that if during any year it becomes apparent that revenue will exceed the estimated amount, the Council may authorize the expenditure of such excess for any lawful purpose.

(2) The Council may authorize the expenditure for any lawful purpose of any balance carried forward from a previous year.

Expenditures prior to adoption of estimates

202. In any year, before the estimates are adopted, the Council may nevertheless authorize such expenditures as are necessary to carry on the business of the city, but such expenditures shall in no case exceed the amounts expended in the previous year for the like purposes, save where not less than two-thirds of all the members of the Council concur in such excess expenditure.

Director of Finance responsibilities

212. The Director of Finance shall exercise a general control and supervision

(a) over the collection and application of the revenues of the city of every description, and over the lawful expenditure thereof;

(b) over the sale, realization, and redemption of debentures of the city, and over the sinking funds of the city;

(c) [Repealed 1985-89-2.]

(d) over all other financial affairs of the city.

Fund to be adequate

218. No warrant for payment shall be drawn unless there is sufficient money in the fund out of which the payment is to be made to meet the warrant.

Part XXIII – Parks

Board's estimates to be submitted each year

492. The Board shall, at the beginning of each year, cause to be prepared and submitted to the Council a detailed estimate of the receipts from every source, and of the expenditures of the Board of every kind, during that year, showing the amount estimated to be necessary for the purposes of the Board up to the thirty-first day of December next thereafter. The said estimate shall be considered by the Council and adopted in whole or in part.

1953-55-492.

Adopted estimates not to be exceeded

493. (1) Save by resolution of the Council, the Board shall not authorize or make any expenditures except those provided for in the estimate as adopted by the Council.

(2) The Board may, for periods of not more than twelve months at a time, give authorization in advance to the General Manager to draw warrants for payment prior to approval of the Board, but every warrant for a payment so authorized in advance shall be reported in writing by the General Manager to the Board within

fifteen days after the end of the month in which the warrant is drawn.

LIBRARY ACT

[RSBC 1996] CHAPTER 264

Budget and financing

10 (1) On or before March 1 in each year, the library board must prepare and submit to the municipal council its annual budget for providing library service in the municipality.

(2) The municipal council must approve, with or without amendment, the budget submitted to it under subsection (1).

(3) At the request of the library board, the municipal council may approve an amendment to the approved budget.

(4) The municipal council must include in the municipality's annual budget a sum sufficient to finance the library board's approved budget.

(5) The municipality must pay to the library board the sum included in the annual budget and the payments must be made on the dates scheduled by the library board and the municipality.

Expenditures and financial statements

11 (1) The library board has, subject to the approved budget, exclusive control over the expenditure of

(a) all money provided by the municipal council for library purposes,

(b) all money given to the library board,

(c) the revenue derived from any source, including

(i) fees,

(ii) fines, and

(iii) money recovered by the library board for

detention, damage or loss of library materials, and

(d) all money received by the library board under an agreement to provide library service.

(2) The library board must provide to the municipality annual financial statements that have been audited in the same manner and at the same time as the financial statements of the municipality.

POLICE ACT

[RSBC 1996] CHAPTER 367

[Part 5 – Municipal Police Boards](#)

[23 Municipal police board](#)

[24 Membership of municipal police board](#)

[25 Chair of municipal police board](#)

[26 Board to establish municipal police department](#)

[27 Estimates and expenditures](#)

[28 Rules](#)

[29 Studies by municipal police board](#)

[30 Keeping of provincial prisoners](#)

Estimates and expenditures

27 (1) On or before November 30 in each year, a municipal police board must prepare and submit to the council for its approval a provisional budget for the following year to provide policing and law enforcement in the municipality.

(1.1) If a municipality has entered into an agreement referred to in section 66.2 (1.1) (b) with a treaty first nation, or an agreement referred to in section 66.2 (1.11) (b) with the Nisga'a Nation, for the duration of the agreement, the reference in subsection (1) of this section to "municipality" must be read as including the treaty lands of the treaty first nation or Nisga'a Lands, as applicable.

(1.2) If a municipality is a specialized service provider, the reference in subsection (1) to "municipality" must be read as including areas within the specialized service area that are outside the municipality.

(2) Any changes to the provisional budget under subsection (1) must be submitted to council on or before March 1 of the year to which the provisional budget relates.

(3) If a council does not approve an item in the budget, the director, on application by the council or the municipal police board, must

(a) determine whether the item or amount should be included in the budget, and

(b) report the director's findings to the municipal police board, the council and the minister.

(4) Subject to subsection (3), a council must include in its budget the costs in the provisional budget prepared by the municipal police board.

(5) On certification by the municipal police board members that an expenditure is within the budget prepared by the municipal police board, the council must pay the amount of the expenditure.

(6) Unless the council otherwise approves, a municipal police board must not make an expenditure, or enter an agreement to make an expenditure, that is not specified in the board's budget and approved by the council.