



BUDGET POLICY PRP-FN-008

Effective Date: 2014/11/21
Amended Date: 2020/11/27

Policy Statement

It is the policy of the Regional Municipality of Peel Police Services Board that the policy requirements set out in this document shall form part of the Board Policies and the Chief of Police is directed to comply with these requirements in his/her administration and operation of Peel Regional Police.

1. Subject

A policy establishing financial controls related to Operating Budget, Capital Budget, and Reserve Management.

2. Specific Definitions

“Account” means classification of expenditure or revenue within a Cost Centre to which an estimated budget value and actual expense or revenue amount is assigned.

“Adequacy of Reserves” means the difference between reserve expenditures financed in the ten year Capital Plan and forecasted reserve balances.

“Authorized Complement,” means permanent full-time positions that have been approved by the Board, either specifically or through the annual budget process.

“Board” means The Regional Municipality of Peel Police Services Board.

“Capital Budget” means the annual Board and Council approved plan of Peel Regional Police for expenditures and financing sources to acquire, improve, maintain, or construct capital assets or to conduct studies.

“Capital Forecast” means the projection of expenditures and financing sources of capital projects for nine years beyond the Capital Budget approval year.

“Capital Plan” means the combined Capital Budget and Capital Forecast.

“Capital Project” means an undertaking for which expenditures of a capital nature are made or are to be made including expenditures to acquire, improve, maintain, or construct, land, buildings, systems, vehicles, and other corporate assets.

“Chief of Police” means the Chief of Peel Regional Police or upon the authorization of the Chief of Police, a Deputy Chief of Peel Regional Police and any person who has been authorized to temporarily act as the Chief of Police during the incumbent’s absence or a vacancy in the office.

“Command Area” means a major organizational area within Peel Regional Police headed by a Command Officer or the Executive Director of the Board.

“Command Officer” means the Chief of Police, Deputy Chief(s) of Peel Regional Police, the Executive Director of the Board and/or any person who has been authorized to temporarily act in those capacities during the incumbent’s absence or a vacancy in the office.

“Cost Centre” means a component of the financial summary for revenue and expense accounting purposes, and has its own distinct name and number in the accounting system, with applicable coding to identify it as an Operating Budget Cost Centre, Capital Budget Cost Centre, or Reserve Cost Centre. Cost Centres are currently referred to as DeptIDs in the accounting system.

“Council” means the Council of the Regional Municipality of Peel.

“Debt” means any obligation for the payment of money.

“Deputy Chief, Corporate Services Command” means the Deputy Chief overseeing Corporate Services Command of Peel Regional Police and any person who has been authorized to temporarily act as the Deputy Chief, Corporate Services Command, during the incumbent’s absence or a vacancy in the office.

“Development Charges” means the charge imposed by the Region of Peel pursuant to the Development Charges Act, 1997, as amended or successor legislation.

“Division” means a part of a Command Area within Peel Regional Police, headed by a single Director or Superintendent.

“Emergency” means an unforeseen situation of an urgent nature, presenting an unacceptable risk to the health and safety of persons or to property requiring an immediate expenditure of funds, or presenting an opportunity, which, if not pursued, would result in an unacceptable cost (including opportunity cost), or risk to Peel Regional Police.

“Financial Report” means the summary of financial performance activities related to the Operating Budget, Capital Budget, and Reserve Management provided to the Board by the Deputy Chief, Corporate Services Command, through the Chief of Police, not less frequently than semi-annually.

“Operating Budget” means the annual Board and Council approved plan of Peel Regional Police for expenditures, revenues, staffing levels, and service levels for operations of Peel Regional Police taking place from January 1st to December 31st each year.

“Operating Forecast” means the projection of expenditures, revenues, staffing levels, and service levels for three years beyond the Operating Budget approval year.

“Peel Regional Police” means the Regional Municipality of Peel Police Service encompassing the City of Brampton and the City of Mississauga.

“Redeployment of the Operating/Capital Budget” means the transfer of an Unexpended Budgeted Amount from one Operating Cost Centre/Capital Project Cost Centre to another, which has the effect of changing the purpose for which the Unexpended Budgeted Amount will be spent.

"Redistribution of the Capital Budget" means the splitting of the financing sources of one Capital Project into financing sources for new smaller Capital Projects having the same purpose.

"Reserve" means an accumulation, at the direction of the Board, of appropriations from net revenues, which provides funding for capital projects for state of good repair, growth, service enhancement, and operating budget needs of Peel Regional Police. Reserves include Stabilization Reserves and Capital Reserves.

"Reserve Fund" means the accumulation of appropriations from net revenues for purposes, which are restricted by law or by the direction of the Board and Council contained in the by-law establishing the Reserve Fund.

"Restructure of the Operating Budget" means the transfer of an Account's Unexpended Budgeted Amount from one Cost Centre to another which does not change the purpose for which funds are budgeted or will be spent.

"Stabilization Reserve" means a Reserve arising from the operation of programs funded from property taxation to minimize annual fluctuations in property tax rates (i.e. Working Funds Reserve).

"Sub-Reserve" means the result of the splitting of a Reserve into smaller amounts.

"Total Budget" means the Total Expenditures (gross expenditures less internal recoveries) as approved by Board and Council through the annual budget process.

"Unexpended Budgeted Amount" means the amount of approved budget funds in an account that have not been spent or committed for spending.

"User Fees" means a fee for goods, services, or for the use of properties calculated on a cost recovery basis.

3. Policy Requirements

1. General:

- a. This policy is guided by Financial Management Policy PRP-FN-007.
- b. The Operating and Capital Budget submitted to the Board must first be reviewed by the Deputy Chief, Corporate Services Command, and by the Chief of Police.
- c. Staff under the delegated authority from the Chief of Police are authorized to carry out day-to-day business rules related to the Operating and Capital Budgets as well as Reserve Management.
- d. The Deputy Chief, Corporate Services Command, through the Chief of Police, shall undertake a review of this policy not less frequently than once every five years and report the results of such review to the Board.

2. Operating Budget:

I. Annual Budget Submission

- a) The Operating Budget shall be submitted annually to the Board and Council for approval.
- b) Peel Regional Police and the Board shall annually prepare an operating budget and Peel Regional Police shall prepare a three year operating forecast.
- c) A summary of Authorized Complement shall be submitted annually to the Board for approval via the annual budget process.
- d) A schedule of User Fees, including any applicable taxes, for the provision of goods, services or for the use of properties will be submitted annually to the Board for approval via the annual budget process.

II. Financial Management

- a) The Operating Budget shall be submitted annually to the Board and Council for approval.
- b) Goods and services shall be expensed in the fiscal year in which they are actually received, in accordance with Canadian Generally Accepted Accounting Principles (GAAP).
- a) Unanticipated revenues, greater than \$250,000, shall not be spent or committed without approval of the Board, unless:
 - i. Approval is granted by the Board via a report outside of the budget process.
 - ii. Unanticipated Revenue is received with net zero cost to Peel Regional Police, approved by the Chief of Police and reported to the Board in the next Financial Report and to Council via Region of Peel consolidated financial reporting.
- c) Authorized complement is funded through the operating or capital budget unless approval is granted through unanticipated revenues as outlined in 2. II. a) i. and ii. above.
- d) Unless otherwise provided in accordance with this policy, a Restructure or a Redeployment of the Operating Budget between Cost Centres shall be approved in accordance with the provisions of Appendix "A" to this policy.
- e) Reports with financial implications submitted to the Board for approval must first be reviewed by the Deputy Chief, Corporate Services Command, to ensure availability of financing sources and compliance with the Board's policies and then shall be reviewed by the Chief of Police.
- f) The Deputy Chief, Corporate Services Command, through the Chief of Police, is authorized to approve contributions to or withdrawals from the Working Funds

Reserve up to \$250,000 as transitional funding to meet an unanticipated expenditure pressure or a revenue receipt that was not budgeted. All such contributions to or withdrawals from the Working Funds Reserve shall be reported to the Board in the next Financial Report following the contribution compliance or withdrawal and reported to Council via the Region of Peel's financial report.

- g) At year-end unexpended unanticipated revenues shall be treated in the same manner as Unexpended Budgeted Amounts and shall become a part of the year-end surplus or shall be applied against the year-end deficit.
- h) The Deputy Chief, Corporate Services Command, through the Chief of Police, is authorized to make contributions to or withdrawals from Sub-Reserves established for the purposes of programs funded from property taxation including a Stabilization Sub-Reserve to adjust a surplus or deficit in tax supported programs at the end of the current year. Such contributions shall be for the purpose of reducing or eliminating changes in future property tax rates which would otherwise result from an unadjusted surplus or deficit. All such contributions or withdrawals will be guided by the principles as outlined in Appendix D of the policy and shall be reported to the Board and Council in the next Financial report and reported to Council via Region of Peel consolidated financial reporting.

III. Reporting

- a) The Board shall be informed of any variance between the approved Operating Budget and actual expenditures, actual revenues, or actual service levels where such variance is deemed to be material by the Deputy Chief, Corporate Services Command, through the Chief of Police, not less frequently than semi-annually via a Financial Report.
- b) Council shall be informed of any variance to budget in accordance with their established reporting timelines via Region of Peel consolidated financial reporting.

3. Capital Budget:

I. Annual Budget Submission

- a) The Capital Budget shall be submitted annually to the Board and Council for approval.
- b) Peel Regional Police and the Board shall annually prepare a capital budget and Peel Regional Police shall prepare a nine year capital forecast.
- c) Capital Project financing sources shall be authorized by resolution or by by-law. Where external long-term debt financing is prescribed, it shall be obtained in accordance with current provincial legislation, and/or the Regional Municipality of Peel's Debt Management Policy.

- d) Growth related expenditures may be eligible for financing from development charges subject to the provisions of the Development Charges Act, 1997, and the related Development Charges By-Law.

II. Financial Management

- b) A Capital Project shall not commence without prior capital budget funding approval, unless:
 - i. Approval is granted by the Board and Council via a report outside of the annual budget process.
 - ii. The Capital Project is financed, in accordance with a Redistribution or a Redeployment of the Capital Budget in accordance with the provisions of Appendix "B" to this policy.
- c) No commitment shall be made to make expenditures upon Capital Projects which exceed the approved net budget unless such expenditures are pre-approved in accordance with the provisions of Appendix "C" to this policy.
- d) Unanticipated revenues, greater than \$250,000, shall not be spent or committed without approval of the Board, unless:
 - i. Approval is granted by the Board via a report outside of the budget process.
 - ii. Unanticipated Revenue is received with net zero cost to Peel Regional Police, approved by the Chief of Police and reported to the Board in the next Financial Report.
- i) In the event of an Emergency requiring capital expenditure, the Deputy Chief, Corporate Services Command, through the Chief of Police, is authorized to create a new Capital Project or add to an existing capital project, and to authorize its financing from sources recommended. The Deputy Chief, Corporate Services Command, through the Chief of Police, shall cause any such Emergency Capital Project funding to be reported to the Board as soon as may be reasonably practical following the identification of the Emergency need for the Capital Project, and reported to Council via Region of Peel consolidated financial reporting.
- e) Previously approved Capital Projects must be resubmitted by the Chief of Police in the event that the expenditure requirements for the Capital Project will increase substantially. An increase in the expenditure requirements for a Capital Project shall be deemed to be "substantial" where, by reason of a scope change to the service rendered by the capital project or for any other reason an increase in the net Capital Project budget is greater than the lesser of 20% of the previously approved net budget or \$250,000 (Appendix C).

III. Reporting

- a) The Board shall be provided with a summary of capital spending, unanticipated revenues as per section 3. II. d) i. and ii, and informed of any variance between the approved Capital Budget and actual expenditures or actual revenues where such variance is deemed to be material by the Deputy Chief, Corporate Services Command, through the Chief of Police, not less frequently than semi-annually in a Financial Report.
- b) Council shall be informed of any variance to budget in accordance with their established reporting timelines via Region of Peel consolidated financial reporting.

4. Reserve Management:

Peel Regional Police's portfolio of Reserves consists of three major categories: Stabilization Reserves, Capital Reserves, and Reserve Funds.

- a) The Stabilization Reserves are used to provide financial stability to Peel Regional Police's operations. It is used to minimize annual fluctuations in rates by providing funding for one-time costs, phasing in significant financial pressures, and addressing program pressures where there is some degree of uncertainty in revenue and expenditure. It is also used to mitigate operating deficits that may arise because of unexpected events, economic uncertainties, or unanticipated funding changes. A property tax supported Rate Stabilization Reserve is funded by and utilized for property tax supported programs. Examples include the Working Fund Reserve and the Benefit Stabilization Reserve.
- b) Capital Reserves provides financing sources to fund Capital Projects for state of good repair, growth, service enhancement, and other capital needs to support the delivery of Peel Regional Police's services and programs. Examples include the Information Technology Reserve and the Land and Facility Reserve.
- c) Reserve Fund is the accumulation of appropriations from net revenues for purposes which are restricted by law or by the direction of the Board and Council contained in the By-Law establishing the Reserve Fund. Financing sources may include: Development Charges, property tax, or other financing sources as directed by the Board and Council.
 - i. Development Charges Reserve Funds: includes Reserve Funds that are designated to finance growth-related capital projects as governed by the Development Charges By-law in accordance with the Development Charges Act, 1997.
 - ii. Other Reserve Funds: includes Reserve Funds that have been set up for a specified or restricted purpose other than for growth related capital works and are established by the passing of a by-law (i.e. the VCOM Reserve).

I. Establishment of a Reserve or Reserve Fund

- a) Prior to the establishment of a reserve or reserve fund, a financial plan will be prepared which identifies need, target funding level (if applicable), contribution sources, and projected disbursements (when practicable).
- b) The Board and Council may authorize the creation of a Reserve or a Reserve Fund by means of a policy or by-law, which shall identify the purpose of the Reserve or Reserve Fund.

II. Management of Reserves and Reserve Funds: this section provides guidelines to manage (fund, use, and invest) and administer Peel Regional Police's Stabilization Reserves, Capital Reserves, and Reserve Funds.**a) Portfolio Approach to Reserve Management:**

A portfolio approach is used to manage all Peel Regional Police Reserves. Under this approach, individual Reserves are pooled together and managed as larger groups of Reserves as within this policy. Pooling Reserves helps to mitigate financial volatility and risk that a specific program reserve might otherwise experience. Financial volatility and risk can be driven by unanticipated expenditures or revenues, changing legislation, an evolving economy, and other significant factors. A portfolio approach to reserve management provides Peel Regional Police with additional financial flexibility to address priority needs.

The following groups of Reserves would be managed on a portfolio basis:

- i. Stabilization Reserves – Tax supported
- ii. Capital Reserves – Tax supported

b) Funding

Funding for each of the above Reserve groups is provided through the following sources:

- i. Reserve contributions to each group of Reserves as approved by the Board and Council through the annual budget process.
- ii. Annual year-end operating surplus allocation.
- iii. Transfers from other Peel Regional Police Reserves as approved by the Board. and Council.
- iv. Any other funding sources approved by the Board, permitted under the Municipal Act (2001) and other relevant legislation and Board policy.

c) Investment

Unless specified otherwise, all Reserves and Reserves fund will be interest bearing. Applicable funds must be invested in accordance with the approved Region of Peel's Investment Policy in effect.

III. Level of Reserves and Reserve Funds

The adequacy of each of the Reserves and Reserve Funds is determined using a risk based approach. The level of the Reserve or Reserve Fund is considered against what the Reserve or Reserve fund is intended to fund.

Unless otherwise specified within this policy or any other relevant policy, by-law, or legislation, the level of the reserve or reserve fund will be set at an amount, percentage, or range to achieve the long term sustainability of Peel Regional Police's services and be consistent with the long-term financial planning strategy.

a) Reserves

- i. The balance of the Stabilization Reserve shall be maintained within a range of a minimum of 5% and a maximum of 10% of the Total Budget for programs funded from property taxation.
- ii. The balance of the Capital Reserves portfolio will be managed with a target to fully fund the forecasted Capital Plan for Police programs.

b) Reserve Fund will be Limited to Amounts which have been:

- i. Established in a separate account by the Board and Council for a specific purpose and designated by a by-law.
- ii. Required to be set aside for a specific purpose as set out in a federal or provincial statute, provincial regulation, or by agreement or contract.

IV. Reserve and Reserve Fund Administration

During the course of business, Reserve and Reserve Fund activities include:

- i. Establishing or merging a Sub-Reserve;
- ii. Withdrawals from/contributions to Reserves and Reserve Funds;
- iii. Transfers and Intra-Reserve borrowing; and,
- iv. Allocation of interest revenue.

a) Establishing or Merging a Sub-Reserve

- i. The Deputy Chief, Corporate Services Command, through the Chief of Police, may create a new Sub-Reserve or merge an existing Sub-Reserve, within an authorized Reserve.

b) Withdrawals from/Contributions to Reserves and Reserve Funds

- i. Reports submitted to the Board and to Council (via Region of Peel consolidated financial reporting) for approval which seek authority for the contribution or withdrawal of funds to or from Reserves or Reserve Funds must first be reviewed by the Deputy Chief, Corporate Services Command, to

ensure availability of financing sources and compliance with the Board's by-laws and policies and then shall be reviewed by the Chief of Police.

- ii. All contributions to and all withdrawals from Reserves or Reserve Funds shall require advance Board and Council approval either as part of the Operating or Capital Budget approval process or by means of a resolution, save and except that:
 - a. The Deputy Chief, Corporate Services Command, through the Chief of Police, may authorize the contribution to Reserves of revenues, including the contribution of settlements paid to Peel Regional Police. A contribution which in the opinion of the Deputy Chief, Corporate Services Command, through the Chief of Police, is material shall be disclosed to the Board and Council in the next Financial Report following the contribution.
 - b. Collected Development Charges shall be contributed to the Development Charges Reserve Funds in accordance with the Development Charges Act, 1997, or any successor legislation.
 - c. Contributions to or withdrawals from Reserves may be authorized without a requirement of the Board and Council approval in accordance with sections 2. II. h) and 3. II. e) - f) of this policy.

c) Transfers and Intra-Reserve/Reserve Fund Borrowing

- i. Intra-Reserve Fund borrowing within the Development Charges Reserve Funds, that may be required to avoid external temporary borrowing costs, are permissible provided that any investment income be retroactively reimbursed to the source Reserve Fund.
- ii. The transfer of funds between Sub-Reserves may be authorized by the Deputy Chief, Corporate Services Command, through the Chief of Police. Such transfers shall be reported to the Board in the Financial Report.
- iii. Board and Council authority is required to transfer Reserve balances between Reserves.

d) Allocation of Interest Revenue

At monthly intervals, associated interest will be allocated by the Region of Peel by applying the quarterly investment rate (as provided by the Regional Treasurer) to individual Reserve/Reserve Fund actual balances.

V. Reporting Requirements

- a) Not less frequently than semi-annually, the Deputy Chief, Corporate Services Command, through the Chief of Police, shall provide the Board with a Financial Report on Reserves and Reserve Funds.

- b) Through the annual budget process, the Deputy Chief, Corporate Services Command, through the Chief of Police, shall present to the Board, the adequacy of forecasted Reserves.
- c) Council shall be informed of any variance to budget in accordance with their established reporting timelines.

6. Reporting

See attached Appendix A thru Appendix D for reporting requirements.

7. Authority/Legislative Reference

PRP-FN-007 Financial Management Policy
Police Services Act, Section 39
Municipal Act, Section 391(1.1)
Board Minute: #05-11-20

8. Linkage to Appropriate Police Service Procedure/Directive

Peel Regional Police Financial Instruction 19 – Financial Control
Peel Regional Police Instruction 11 – Setting Annual External Fees

Review Date: 5 years

Appendix A – Managing Operating Budget

Description	Dollar Range	Financial Approval	Reporting to Board Required
Restructure			
Transfer of unexpended budgeted amount from one cost centre to another with no change to purpose	To the value of the budget in the originating cost centre	Deputy Chief – Corporate Services Command, through the Chief of Police	Not Required
Redeployment – Impact on Number of Authorized Complement Positions			
Increase on the number of Authorized Complement positions	Any value	Board	Report to Board
Temporarily hiring over Authorized Complement to address upcoming attrition	Any value	Deputy Chief – Corporate Services Command, through the Chief of Police	Not Required

Appendix B – Managing Capital Budgets

Description	Dollar Range	Financial Approval	Reporting to Board
Redistribution			
Large project to new smaller project(s) with the same purpose	To the value of the project	Director - Finance & Planning	Not Required
Merging Projects			
Merging projects prior to tender or upon award of a contract, due to proximity, or for similar work	To the value of the project	Director - Finance & Planning	Not Required
Redeployment			
Between similar or dissimilar capital projects	To a maximum of \$1,000,000 of the approved net budget	Deputy Chief – Corporate Services Command, through the Chief of Police	Financial Report
	Greater than \$1,000,000 of approved net budget	Board	Report to Board
Reduce Budget			
Reduce project budget requirements	Up to the value of the project	Deputy Chief – Corporate Services Command, through the Chief of Police	Financial Report

Appendix C – Capital Expenditure Commitment Change

Description	Dollar Range	Financial Approval	Reporting to Board
Authorization to Commit a Project to Over Budget Expenditure (ACPOBE)			
Increase the approved net budget to accommodate an over budget expenditure	To a maximum of \$250,000 but not greater than 20% of the approved net budget	Deputy Chief – Corporate Services Command, through the Chief of Police	Financial Report
	Greater than \$250,000 or greater than 20% the approved net budget	Board and Council	Report to Board and Council

Appendix D – Principles of Surplus/Deficit Tax Management

1	Board Direction: Implement previous approved Board direction prior to surplus/deficit allocations
2	Tax Management: Reverse any contingent reserve draws approved through the annual budget that are no longer required
3	Ten Year Capital Liability: Fund liability for state of good repair and mitigate risks on existing infrastructure and assets
4	Ten Year Capital Liability: Provide financing for non-DC growth capital works
5	Loans: Review existing loans for prepayment to optimize future financial flexibility, if applicable