
Financial Policies

Introduction

In municipal financial operations in Ontario, money raised or supplied for a particular purpose must be used for that particular purpose as legislated under the *Municipal Act, 2001*. Legal restrictions and contractual agreements ensure these funds are used for their intended purposes. Fund accounting is used by municipalities and the broader public sector to track how funds are spent and ensure they are allocated correctly. The funds used by the City of Mississauga are the General Revenue (Operating) Fund, the Capital Fund, and reserves and reserve funds. The Business Plan & Budget identifies all programs, services, and capital projects. With Council approval, transfers are made to and from the City's various reserves and reserve funds in order to finance operating and capital expenditures. Financial transactions related to reserves and reserve funds are found in Volume III of this document.

Operating Fund (Operating Budget)

The Operating Fund, or Operating Budget, provides for the normal operating expenditures and revenue associated with the day-to-day delivery of services.

Capital Fund (Capital Budget)

The Capital Fund, or Capital Budget, provides for significant expenditures to acquire, construct or improve land, buildings, roads, engineering structures, or machinery and equipment, including IT network infrastructure, used in providing municipal services. Capital expenditures result in the acquisition of, enhancement of or extension of the normal useful life of a fixed asset. Some of the annually recurring expenses related to capital assets – for example, sidewalk maintenance or licensing fees – are included in the operating budget.

The Capital Budget is prepared on a project basis with actual spending often occurring over one or more fiscal years. Large projects requiring several years to complete are budgeted for over multiple years based on the expected spending for each year.

Reserves and Reserve Funds

Reserves and reserve funds (R&RFs) are important elements of the City's financial plan. By maintaining R&RFs, the City can accumulate funds for expected and unexpected future liabilities – a key component of sound, long-term financial planning practices.

Reserves are generally used to mitigate the impact of fluctuations in operating costs and revenue. Reserves are not associated with any specific asset, and are allocated at the discretion of Council, often as part of an overall strategy for funding programs or special projects. Examples of reserves currently used to mitigate fluctuations include the Fiscal Stability Reserve, the Building Revenue Stabilization Reserve, and the Elections Reserve.