



TOWN POLICY

POLICY NUMBER: 1809

REFERENCE:

Resolution No.197.05.21

ADOPTED BY:

Town Council May 19, 2021

PREPARED BY: Director of Corporate Services

DATE: May 19, 2021

TITLE: Budget Policy

POLICY STATEMENT:

This policy will ensure an orderly and timely translation of civic services into resources, expense, and revenue requirements. It will also ensure effective means to deliver services to citizens and to enforce accountability for the proper and prudent management of public funds. The Town will work within the Long-Term Financial Plan as adopted by Council. The adopted budget will adhere to the MGA or other legal requirements including principles contained within this policy.

Scope/Application

This policy applies to the Town's elected officials, CAO, and Town staff.

Authority/Responsibility to Implement:

The Chief Administrative Officer (CAO) is the administrative head of the municipality and is granted responsibilities through the ***Municipal Government Act*** (MGA) including but not limited to the responsibility to ensure the policies, procedures and programs of the municipality are developed and implemented.

DEFINITIONS

"Operating Budget" means a financial plan that includes an estimate amount for revenue, expenditures, and transfers to provide for Council's policies and programs. The amount needed to pay debt obligations in respect of borrowings made to acquire, construct, remove or improve capital property, the amount needed to meet the requisitions or other amounts the town is required to pay under an enactment. The

amount of depreciation, the amount to be transferred to a reserve, the amount to be transferred to the capital budget.

“**Budget Amendment**” mechanism used to revise the approved budget **to** reflect changes that occur throughout the fiscal year. Once the budget is adopted, it can be changed by a budget amendment.

PRINCIPLES

- Actions of Council and Administration will be conducted in a manner that aligns with the context of the Long-Term Financial Plan.
- The budget is an important Council strategic document. As such, only elected officials will be permitted to deliberate and adopt budgets.
- Administration will recommend to Council a timeline for Budget preparation.
- Inputs derived from various forms of citizen engagement will be considered during the budget and planning cycles.
- Budgets will be aligned with Council strategy, The Municipal Development Plan, and departmental master plans.
- Council will authorize service and service levels of delivery to the community.
- New programs, services, and Tangible Capital Asset additions will be fully funded at the time of addition.
- Directors and or Department Managers are responsible for submitting estimates of revenue and expenditures utilizing the town budgeting software within the timing authorized for budget preparation.
- Budgets will support and foster economic growth.
- Budgets that include a new financial borrowing to fund a capital project will include an interest expenditure at the current interest rate or anticipated rate with principle repayments as applicable.

PROGRAMS AND SERVICES

Council endorses programs, services, and service levels on behalf of the community. The Towns programs, services, and service levels will be defined and documented through Levels of Service initiatives. Council approved budgets provide for the financial resources necessary to deliver programs and services to the community.

- The endorsement of programs, services and service levels through the budget and planning process is a responsibility of Council.
- Performance measures will be used to demonstrate and gauge successful delivery of service.

SHORT- AND LONG-TERM PLANNING

The Town will align with best practice and ensure that short and long-term financial planning is executed. Strategic planning is critical to moving the organization forward and works to express Council's desire for future direction.

- Council Strategic Planning sessions will be conducted after the election of a new Council
- A check-in Council Strategic Planning session will be conducted for each planning cycle thereafter.
- Operating budgets will be prepared on a three-year rolling basis annually in compliance with the MGA. Capital plans will be prepared on a five-year rolling basis.
- Council endorsed strategy, master plans, programs, services, and studies will guide the preparation of budgets.

TAX REVENUE

Taxes will be levied to fund the costs to deliver tax supported Town services. In the case of some services, user fees are charged to offset the cost to deliver the service. The operating budget will deliver the service to the community.

When planning for tax increases, the following will be considered:

- As defined within the MGA, programs, services, and service levels will be endorsed for delivery to the citizens by Council.
- The rate of tax adjustment will be kept as stable as possible.
- Non-residential tax rate will be no more than 2 times the residential tax rate.
- The Financial stabilization reserve will be used to lessen the effect of potential large tax increases, which may occur when new services are adopted.
- Economic conditions will be considered during the planning process.
- Tax increases will be to a sufficient level necessary to ensure the community's future financial sustainability.

ONE TIME REVENUES AND OTHER FORMS OF VOLATILE REVENUE

Council budgets will raise sufficient funds to maintain the ordinary operations of town business and will not rely on one-time revenues.

- Budgets are not to be balanced by using streams of volatile revenue.

TAX STABILIZATION

The Financial Stabilization Reserve will be used to mitigate the effect of potentially large tax increases to future budget years. The introduction of a new service is an example of a situation where a large increase to operating cost may occur in one budget year.

USER FEES, LICENSES, PERMITS AND FINES

As established by Council, user fees, licenses, permits and fines will be used to offset the cost of a program or service.

- The cost of licenses and permits will be established to over see the related service.
- Fines will be used to encourage compliance to Town Bylaws.

UTILITIES

Utility services (water, sanitary sewer, storm sewer and waste management) will be budgeted on a full cost recovery basis. The utility rates will include an amount to be contributed to the Utility Infrastructure Reserves for long term sustainability and renewal of utility infrastructure.

AMENDMENTS TO COUNCIL APPROVED OPERATING BUDGET

At times, amendments to the operating budget are necessary to facilitate Town operations. The Directors and Managers are delegated the responsibility of managing outcomes of the approved budget and may make a recommendation to the CAO to amend the budget between programs and service areas as follows:

- The CAO in conjunction with the Director of Corporate Services may authorize operating budget amendments up to (\$100,000) dollars provided the amendment is within the total approved budget.
- Operating budget amendments over (\$100,000) require an amending motion from Council.
- Operating budget amendments for a new program or service or a significant change in service level require an approving motion by Council.
- Budget amendments requiring funding above the total approved budget must be approved by a Council motion.
- Authorizations for amendments must be in place prior to any financial transaction taking place.

AMENDMENTS TO COUNCIL APPROVED CAPITAL BUDGET

Capital budgets are prepared using projected costs and will align with good project methodologies including predesign, design and construction phases. At times amendments to the capital budget are necessary and desirable. Directors and Managers may recommend amendments as follow:

- The CAO in conjunction with the Director of Corporate Services may authorize amendments up to (\$200,000) provided the amendment is within the total approved budget.
- Capital budget amendments over (\$200,000) require an amending motion by Council.
- Capital budget amendments for a new program or service or a significant change in service level require an approving motion by Council.
- Amendments to the Capital Budget that alters the scope of a project or that materially changes the appearance, or functionality of a project shall be reviewed by and authorized by Council.
- For items not included in the budget being considered as an amendment to a budget by Council, that Administration include in the analysis an opportunity interest cost at the current interest rate as a cost for the project.
- Authorizations for amendments must be in place prior to any financial transaction taking place.
- Funding of the capital program will aim to maximize the use of grants, debt and reserves, capital projects will not normally be funded by current year taxation.

CITIZEN ENGAGEMENT, TRANSPARENCY AND ACCOUNTABILITY

Council is committed to ensuring a high level of transparency and accountability to the citizens of Strathmore. Citizen engagement in the citizen satisfaction survey is encouraged.

- Feedback from the citizen satisfaction survey will be considered during the budget planning cycle.
- Transparency will be maintained by posting the Budget, Audited Financial Statements, and the Town of Strathmore Annual Report on the town website.
- That the Council be provided with a quarterly financial updating including a draft Statement of Financial Position, Statement of Operations, and a report on Capital Projects complete with variance.

END OF POLICY