

Approval Date:	November 9, 2020	Policy Number:	P-12-83-A
Motion:	MOTION-20-11-322		
Supersedes:	New		
Title:	Budget Process Policy		

Purpose

A balanced three-year operating and five-year capital budget must be approved every year to authorize expenditures for the municipality as set out in the *Municipal Government Act (MGA)* Section 242 through 249 and 283.

The Town considers budget preparation a critical strategic function that aligns financial resources with the strategic plans and ensures appropriate service levels for the residents of the Town of Peace River.

The purpose of this policy is to set out the requirements, guidelines and responsibilities for the annual budget.

Definitions

“Approved Budget” means the final budget passed by Council, which will govern the operations and reporting during the fiscal year.

“Balanced Budget” means the plan of financial operation where total revenues match total expenditures. It is a requirement of the town to approve a balanced budget annually.

“Base Budget” means budgetary resources that are required to maintain service at the level provided in the previous year’s budget.

“Budget” is a financial plan for a specified period of time (year) that matches with all planned revenues and expenditures with various town services.

“CAO” means the Chief Administrative Officer.

“Capital Budget” is the plan of approved capital expenditures to be incurred in the current year and over a period of subsequent future years (long term), identifying each capital project and the method of financing.

“Consumer Price Index (CPI)” means a measure of changes in the purchasing-power of a currency and the rate of inflation. The consumer price index expresses the current prices of a basket of goods and

“Consumer Price Index (CPI)” means a measure of changes in the purchasing-power of a currency and the rate of inflation. The consumer price index expresses the current prices of a basket of goods and services in terms of the prices during the same period in a previous year, to show effect of inflation on purchasing power.

“Department” means a major administrative subset of the town which indicates overall management responsibility for an operation or a group of related operations within a functional area. A department is often comprised of several divisions.

“Inflation” means a rise in price levels caused by economic activity.

“MGA” means the Municipal Government Act, Revised Statutes of Alberta 2000, Chapter M-26, and amendments thereto.

“Senior Management” means the CAO and Directors of the Town, plus relevant staff resources as needed.

“Taxes” or “Taxation” means the compulsory charges levied by a government for the purpose of financing services performed for the common benefit of the people.

“Town” means the corporation of the Town of Peace River.

“User charge/fee” is the payment for direct receipt of a public service by the party benefiting from the service.

Policy

1. Principles

- 1.1. Budget development will align with the principles of Council’s Strategic Plans, master plans, studies and any other relevant report or information.
- 1.2. Inputs obtained from various forms of council priorities, board inputs, pertinent organizations and/or citizen engagement will be considered during budget planning.
- 1.3. The budget authorizes program and service level delivery to the community. Where possible in future budgets, service levels will be identified.
- 1.4. Short-term and long-term planning will be considered during budget development. Provision for future requirements is essential for long- term sustainability.

2. Guidelines

- 2.1. Budget assumptions are developed and presented to Council for approval. These include key areas such as:
 - 2.1.1. Property Taxes – CPI rates, new growth estimates,
 - 2.1.2. Service level changes,
 - 2.1.3. Salary and benefit increases based on collective agreement information,
 - 2.1.4. Compensation strategies,
 - 2.1.5. Staffing proposals as per the updated staffing plan prepared by Senior Administration,

- 2.1.6. Utility Rates,
 - 2.1.7. User Fees, and
 - 2.1.8. Franchise fee projections and capital reserve transfer.
- 2.2. Taxes will be levied to fund the costs to deliver tax supported services. These services include those planned for within the operating fund as well as transfers to the capital fund. In some cases, user fees are charged to offset the cost to deliver services. The operating fund will include the projected costs to deliver services to the community.
 - 2.3. All operating budget submissions will be reviewed by the Director, CAO and Finance staff prior to presentation to Council.
 - 2.4. Current year budgets are to be prepared based on existing service level operations, or base budget amounts.
 - 2.5. Changes in service levels or new programs will be identified along with costs and justification submitted for consideration.
 - 2.6. Directors and managers will review prior year actuals and budgets and make adjustments based on changes in service or program delivery. Any significant changes will require either a business case or explanation for the change.
 - 2.7. Where possible, cost savings and efficiencies are encouraged.
 - 2.8. Revenues are to be calculated based on known trends, historical information or approved studies/reports including user fee reports or master plans, etc.
 - 2.9. Volatile revenue sources will not be used to fund ongoing expenditures.
 - 2.10. Staffing will be based on the existing compliment. Any changes to staffing need to be included in the staffing plan that is reviewed by Senior Management.
 - 2.11. Senior Management will evaluate each new program and/or service enhancement on the basis of need and funding availability. Some of the considerations will be:
 - 2.11.1. Legislative requirements;
 - 2.11.2. Capital impact;
 - 2.11.3. Growth adjustment;
 - 2.11.4. Cost savings or efficiencies; and
 - 2.11.5. Identified need with revenue possibilities.
3. Responsibilities
 - 3.1. Municipal Council to:
 - 3.1.1. Approve by resolution this policy and any amendments.
 - 3.1.2. Consider the allocation of resources for successful implementation of this policy in the annual budget process.

3.2. Chief Administrative Officer to:

- 3.2.1. Implement this policy and approve procedures.
- 3.2.2. Ensure policy and procedure reviews occur and verify the implementation of policies and procedures.

3.3. Director of the Department to:

- 3.3.1. Ensure implementation of this policy and procedure.
- 3.3.2. Ensure that this policy and procedure is reviewed every three years.
- 3.3.3. Make recommendations to the Chief Administrative Officer of necessary policy or procedure amendments.

3.4. Manager to:

- 3.4.1. Understand, and adhere to this policy and procedure.
- 3.4.2. Ensure employees are aware of this policy and procedure.

3.5. All Employees to:

- 3.5.1. Understand and adhere to this policy and procedure.

4. Timeline

4.1. The budget process commences in July of the year prior to the fiscal year and is completed by April prior to the approval of the tax bylaw. In general, the timelines are:

- 4.1.1. **July/August** – Budget guideline preparation, assumptions for Council approval, staff input and other inputs. Opportunity for public or citizen engagement through a variety of means.
- 4.1.2. **September/October** – Submission of budget information, review and approval, calculation of major areas such as revenues, taxes, general revenues, salaries & benefits, other fixed expenses.
- 4.1.3. **October/November** – Budget workshop with Council. Senior Administration review and revisions, preparation of budget document.
- 4.1.4. **November/December** – Presentation of budget, revisions as required. Budget deliberations to occur over several public meetings.
- 4.1.5. **December** – Presentation of interim budget for approval.
- 4.1.6. **January/February** – Presentation and approval of the final budget.
- 4.1.7. **March/April/May** – Preparation, presentation and approval of Utility Rate Bylaw and Tax Rate Bylaw.

4.2. The overall budget timeline consists of the following items:

- 4.2.1. Budget assumptions presented to Council for discussion and approval. Council able to provide direction, potential service level items and public/citizen priority items.
- 4.2.2. Instructions to Directors/Managers in late July/August for operating and capital budget information completion.
- 4.2.3. Finance reviews major areas such as global revenues including property taxes, grants, interest, etc. and expenses that are complex such as salaries and benefits or fixed such as utilities, debt payments and insurance.

- 4.2.4. Capital budgets will consist of taking the current year of the 5-year plan and determining if any changes are required.
- 4.2.5. The 5-year capital plan will also be reviewed to identify long range changes.
- 4.2.6. The budget preparation is prepared electronically and will allow staff to enter budget changes or projections for up to five years.
- 4.2.7. Council guidance for upcoming year incorporated into operating and capital budgets.
- 4.2.8. The budget information will be approved by the Directors prior to submission to Finance by October.
- 4.2.9. The Chief Administrative Officer (CAO) will also review and approve all department submissions
- 4.2.10. Consolidation of budget information for review, analysis and senior administration discussion. This includes balancing the budgets for both operating and capital.
- 4.2.11. Adjustments as required based on input from senior administration to balance the budget should be completed by mid to the end of October.
- 4.2.12. Presentation of the budget to Council for approval, usually starting in November.
- 4.2.13. Budget amendments and adjustments are incorporated based on subsequent Council deliberations and direction.

5. Capital Budget

5.1. Capital Budget

- 5.1.1. A capital item is defined as a significant expenditure incurred for the improvement, acquisition or major rehabilitation of buildings, equipment, rolling stock and infrastructure used in providing municipal services (including studies undertaken to plan for these expenditures).
- 5.1.2. A capital expenditure includes capital assets as defined by the Town's Tangible Capital Asset Policy.
- 5.1.3. A capital asset will have benefits lasting beyond one year and have a minimum threshold of \$5,000 or as otherwise stipulated in the Town's Tangible Capital Asset Policy.
- 5.1.4. A repair or maintenance expenditure designed to maintain an asset in its original state is not a capital expenditure, unless it will extend the useful life of the asset. Such repairs or maintenance expenditures will be included in the operating budget.
- 5.1.5. Once a capital project has been approved it is not permitted to use these funds to purchase any item other than the items contained in the original project approved by Council.

5.2. Capital Budget Preparation

- 5.2.1. A five-year plan has been prepared and approved by Council. Each year, the starting basis for the current capital budget will be the upcoming year in the five-year plan.
- 5.2.2. Staff will review these projects to determine if they are still required and make any adjustments as required for the scope of the project.
- 5.2.3. The future projects should also be reviewed for relevancy, cost estimates and timing.
- 5.2.4. Finance will compile the projects and review funding sources.

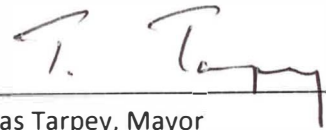
- 5.2.5. Senior administration will review projects and determine the viability of projects. If there is insufficient funding, projects may be moved out into future years of the five-year plan.

5.3. Capital Spending

- 5.3.1. Unless a capital budget has been approved by Council, no department will begin a capital project that was not authorized in the current or prior year.
- 5.3.2. Budget authorization in unusual circumstances may be brought to Council through a Request for Decision if there is a need either to amend the existing budget or obtain approval for something that has arisen during the year and cannot wait for the subsequent budget cycle.

6. Interim and Final Budget

- 6.1. The interim budget will be approved prior to December 31 of the year preceding the budget. This provides legislated approval for the municipality to make expenditures.
- 6.2. The final budget shall be approved upon the completion of budget deliberations by Council. Council may approve the final budget prior to the completion of the final assessment totals for the upcoming year.
- 6.3. The final assessment for the fiscal year is received by February of the year in question. Prior to approval of the tax rate bylaw, the interim budget may be adjusted to reflect the new assessment and requisitions (if available) for the schools and senior requisitions.



Thomas Tarpey, Mayor



Christopher J. Parker, CAO