



Approved by Council: July 20, 2020

## **BUDGET POLICY**

### **BACKGROUND**

The main purpose of a municipality is to provide services to the community. In general, the services provided are geared towards developing and maintaining a safe and viable community through the provision of programs, facilities and other services that are, in the opinion of Council, necessary or desirable for the community. The expenditure of funds is required to fulfill this purpose. To ensure municipal funds are appropriately spent, Council establishes policy statements to guide the expenditure of funds and to establish sustainable budgeting practices.

Council has the legislative responsibility to adopt an annual budget (as well as multi-year operating and capital plans) and pass the related property tax bylaw. Council's primary role in the budget process is to approve a budget that is consistent with Council's

- strategic vision for the community,
- expectations for programs and level of service,
- established priorities, and
- other items they identify that are in line with their vision and expectations.

Administration has the responsibility to develop a budget for presentation to Council which aligns with the established vision, priorities, and directions of Council. The development of a budget will include:

- considering the ideas of stakeholders other than Administration,
- reviewing programs, services and service levels,
- establishing departmental business plans (within available administrative capacity),
- balancing taxes, fees, rates and charges with the long-term sustainability and viability of the Town. The objective is to not create large, unpredictable increases in taxes, fees, rates and charges in the future, neither is it to ignore inflationary realities, and
- balancing the current economic reality with established visions, expectations, servicing levels and priorities.

The Municipal Government Act allows municipalities to budget a deficit if the deficit is created solely by amortization expense. The annual budget, both the operating and capital components, must be balanced when presented to Council and the public with amortization expense presented separately. In addition, the following individual departments or business units must be balanced independently:

- Utility – including water, sanitary sewer and garbage
- Regional Landfill Authority
- Land Development & Sales

**PURPOSE**

To establish policies governing the preparation of an annual budget for Council approval and multi-year capital planning.

**POLICY**

**PUBLIC INVOLVEMENT**

- (1) Council and Administration will endeavour to engage the public throughout the budget process in a meaningful way:
  - (a) so that members of the public:
    - (i) can be heard,
    - (ii) have their views considered for integration into the budget,
    - (iii) have an enhanced understanding of the Town's fiscal stewardship, policies and operating decisions, and
  - (b) to demonstrate clear and accountable government.
- (2) Efforts will be made to involve the public in all stages of the annual budget process in the following ways:
  - (a) the Town will maintain an updated budget submission form that anyone can fill out to have their idea included for consideration in the next budget cycle,
  - (b) the Town will give public notice for all public budget discussions and meetings,
  - (c) the Town will publish on its website approved capital budget plan(s) and operating budget in summary form.

**BUDGET LINK TO STRATEGY & PLANNING**

- (3) Council shall confirm their strategic priorities, expectations for service delivery levels and budget expectations at the start of each budget cycle.

- (4) Council shall adopt budget goals that:
- (a) support the adopted municipal strategic priorities,
  - (b) reflect stakeholder concerns, needs and priorities,
  - (c) reflect the community's economic, social and environmental conditions, challenges and opportunities,
  - (d) are sufficiently specific to help define programs and to make resource allocation decisions in the budget process, and
  - (e) are prioritized based on expected service levels.
- (5) Administration shall apply Council's strategic priorities, expectations for service delivery levels, budget expectations and budget goals in the creation of respective department budgets.

Council should confirm strategic priorities, expectations for service delivery levels, budget expectations and adopt budget goals before departments begin preparation of their respective budgets so that Administration can include these in their budget preparations and ensure that appropriate resources are allocated.

## **CAPITAL PROJECTS**

To improve Council involvement in the selection of capital projects, all capital projects will require two approvals by Council before work can commence on a project.

- (6) All capital projects are to be placed on one of the following lists:
- (a) Capital Projects Awaiting Council Approval List.
  - (b) Unapproved Capital Projects List.
  - (c) Unfunded / Partially Funded Capital Projects List.
  - (d) Funded Capital Projects List.
  - (e) Completed Capital Project List.
- (7) Capital projects shall be placed on the lists as follows:
- (a) When a capital project is initiated (General Public, Town Boards and Commissions, Administration, Councillor, etc.), it will be placed on the Capital Projects Awaiting Council Approval List.
  - (b) Administration may at any time through an RFD request that Council add a capital project to the Unfunded / Partially Funded Capital Projects List. Council

may then place the capital project on the Unfunded / Partially Funded Capital Projects List, the Unapproved Capital Projects List or leave it on the Capital Projects Awaiting Council Approval List.

- (c) Once a year, Administration will bring the list of Capital Projects Awaiting Council Approval to Council by RFD for consideration to be placed on the Unfunded / Partially Funded Capital Projects List or the Unapproved Capital Projects List.
- (d) Capital projects approved by Council will be moved to the Unfunded / Partially Funded Capital Project List.
- (e) Capital projects not approved by Council will be moved to the Unapproved Capital Projects List. The reasons why the decision was made must be specified on the Unapproved Capital Projects List. No further action will be taken on these projects.
- (f) When a Capital Project is fully funded it will be moved to the Funded Capital Projects List.
- (g) When a Capital Project is completed it will be moved to the Completed Capital Projects List.

Council, by leaving a capital project on the Capital Projects Awaiting Council Approval List, defers the decision to the yearly Capital Projects Awaiting Council Approval to Council RFD.

**MULTI-YEAR CAPITAL INFRASTRUCTURE PLANNING**

- (8) A Multi-Year Capital Infrastructure Plan (MYCIP) will be created for each budget by updating the previous budget’s MYCIP plan. Only projects on the Unfunded / Partially Funded Capital Projects List will be included in MYCIP. Updating the Plan will include:
  - (a) Adding all projects approved by Council to be added to the Unfunded / Partially Funded Capital Projects List.
  - (b) Creating MYCIP project sheets for each capital project approved by Council to be added to the Unfunded / Partially Funded Capital Projects List.
  - (c) Updating the project ranking matrix using:
    - (i) Council input from their confirmation of budget priorities,
    - (ii) input from stakeholders,
    - (iii) asset assessments and asset management plans.

The project ranking matrix is a tool designed to assist with the fair evaluation of projects with the goal of funding the projects with the greatest overall benefit to the community.

(9) Project ranking will be based on the criteria outlined in the Policy MYCIP Ranking Guide (Schedule "A").

(10) The 1 to 5-year and 6 to 10-year Capital Project Plans will be updated based on:

- (a) the current project ranking matrix,
- (b) estimated time frame of when the project will be needed,
- (c) current reserve levels, and
- (d) estimated grant funding.

Asset management plans use multiple inputs such as the age, type, condition, usage, maintenance, etc. of an asset to develop rehabilitation and replacement plans.

(11) During capital budget deliberations Council will:

- (a) review the 1 to 5-year and 6 to 10-year Capital Project Plans,
- (b) adjust the project ranking as they deem necessary,
- (c) modify the 1 to 5-year and 6 to 10-year Capital Project Plans as they deem necessary,
- (d) approve partial or full funding of projects.

Partial funding of projects can occur when Council approves funding the preliminary project design in one year, detailed design in another year and construction in one or more years. Partial funding of a project can also occur when funding is approved by Council subject to project specific grant funding being received.

(12) Council shall only approve funding for Capital Projects on the Unfunded / Partially Funded Capital Project List.

**BUDGET TIMELINE**

(13) In order to have a budget passed prior to the start of the next fiscal year the following key budget activities need to occur:

- (a) Start of Budget cycle: Council confirmation of their strategic priorities and setting their budget expectations Second Council Meeting in June
- (b) Council reviews Capital Projects Awaiting Council Approval List Council Meeting in August
- (c) 1 to 5-year and 6 to 10-year Capital Project Plans are presented to Council Council Meeting prior to Capital Budget Special Council Meeting

- (d) Capital Budget Special Council Meeting      October
- (e) Operation Budget Special Council Meeting      November
- (f) Budget approval      First Council Meeting in December

## Schedule "A"

**PROJECT RANKING GUIDE**

<b>ASSET REHABILITATION AND PROTECTION</b>	<b>25%</b>
4	Replaces asset that has failed or is near failure
3	Necessary to extend the service or existing asset or to restore original performance levels
2	Supplements/supports a basically adequate, functioning asset
1	Replaces a basically adequate, functioning asset
0	Initiates a new asset
<b>SERVICE AND BENEFIT TO PUBLIC</b>	<b>20%</b>
4	Major impact to entire community, or more than one neighbourhood
3	Moderate impact to community, or major impact to one neighbourhood
2	Minor impact to community, moderate impact to neighbourhood, or major to one portion
1	Minor impact to one entire neighbourhood, or moderate impact to a portion of one
0	No impact
<b>STRATEGIC IMPORTANCE</b>	<b>15%</b>
4	Major impact on the community; All 5 Pillars*
3	Moderate impact on the community; 3 or 4 Pillars*
2	Low impact on the community; 2 Pillars*
1	Minor impact on the community; No Pillars*
0	No impact on the community; No Pillars*
	*Pillars: Social, Cultural, Economic, Political, Environmental
<b>SAFETY AND RISK MANAGEMENT</b>	<b>15%</b>
4	Eliminates life-threatening incidents -or- project is required to meet current codes
3	Significantly improves safety -or- asset is grandfathered but upgrades meet current codes
2	Moderately improves safety -or- asset upgrade is in response to a safety issue
1	Involves meeting a suggested criteria or possible future code level
0	No clear relationship to safety: current asset meets code
<b>WORK CONDITIONS AND PRODUCTIVITY</b>	<b>5%</b>
4	Increase in work condition and productivity for all staff
3	Increase in work condition and productivity for most staff
2	Increase in work condition and productivity for some staff
1	Increase in work condition and productivity for five or less staff
0	No significant impact on staff
<b>FUNDING IMPACT</b>	<b>10%</b>
4	Over 75% funded from other sources
3	50% to 74% funded from other sources
2	25% to 49% funded from other sources
1	1% to 24% funded from other sources
0	Completely funded by the municipal government
<b>OPERATION AND MAINTENANCE COST</b>	<b>10%</b>
4	>10% decrease in operating and maintenance costs
3	<10% decrease in operating and maintenance costs
2	No impact on operating and maintenance costs
1	Increases operating and maintenance costs, without additional staffing
0	Increases operating and maintenance costs, with additional staffing