

CITY OF CHESTERMERE

POLICY HANDBOOK

EFFECTIVE DATE: October 3, 2016	POLICY: 446
APPROVED BY: Council	SUBJECT: Multi-Year Budgeting
REVISED DATE: September 17, 2018	PAGE NO.: 1 of 7
EXPIRY DATE: N/A	POLICY TYPE: Finance

PURPOSE AND INTENT

The purpose of this policy is to establish guidelines and the approach for the planning and approval of multi-year budgets to ensure greater certainty for future expenditures and revenue increases and the related impact on future tax increases. The Policy provides direction in the development, approval and adjustment of multi-year budgets in order to recognize major changes in budgetary assumptions, legislation and Council priorities.

POLICY

1. Background

The work on integrating planning and budgeting began in 2016 with Council's approval of a multi-year approach to planning and budgeting. The benefits from this approach include:

- attaining a stronger linkage between planning and budgeting;
- identification of longer-term funding needs for the achievement of Council-approved outcomes;
- providing citizens with more certainty about the direction of City services, finances, and tax levels;
- making more strategic use of Council's time in reviewing budgets and Administration's time in preparing them; and
- encouraging a disciplined approach to changes in approved plans.

Linking Plans, Budgets and Measures

The overarching direction for business planning and multi-year budgeting will be Council's Strategic Plan. Business plans, budgets and performance measures must all be integrated and linked, and Council must be informed of their status and progress through regular reporting and adjustments.

The City's integrated planning, budgeting and management process provides a number of benefits. First, the multi-year budget supports the business plans by ensuring that all efforts outlined in the plans are funded for the full four years. Thus, the plans are realistic and achievable. As well, the business plans support the budgets by providing Council and the public with commitments about the public services based on the funding provided in the budget. Second, the integrated multi-year process ensures alignment among planning, budgeting, and managing, so that budget guidelines provide the funding envelope within which business plans are developed. Business plans include performance measures for accountability, and performance reporting demonstrates what has been achieved in relation to the business plans.

Stabilization Restricted Surplus Account

There is a need for handling unexpected events (e.g., natural disaster) or circumstances (e.g., drop in investment income) with significant financial impacts, which could arise during the period of the budget.

For the capital budget, changing circumstances could mean changes to the financing sources Council approves for the capital envelope. For the operating budget, the "General Corporate Stabilization Restricted Surplus Account" will be used.

2. General Mandate

- a. Municipalities are required to adopt, as a minimum standard, a written three-year financial plan and five-year capital plan per *Municipal Government Act section 283.1(2) and section 283.1(3)*.
- b. Council must review and update financial and capital plans annually per *Municipal Government Act section 283.1(6)*.
The City shall undertake a multi-year approach to budgeting for operating and capital programs and services unless otherwise directed by Council.
- c. The term of the multi-year budget is linked to the election cycle and will start within 14 months after each election. See Schedule 'A' for the Multi-year Budget timeline
- d. City Council expects the implementation of a multi-year budget will allow for the identification of longer term funding needs for the achievement of Council approved outcomes.
- e. City Council expects public engagement to be incorporated in the budgeting process.

- f. City Council expects that budget meetings will be held in public.
- g. City Council expects multi-year resource planning to consider the best estimates for all revenues available to the City and the best estimates of expenditure for established service levels and for the operating budget to indicate the impacts to property tax for each year of the multi-year budget.
- h. Multi-year budgets are to be managed, monitored and with quarterly and year-end audited reports provided to Council.
- i. City Council expects that adjustments to the approved multi-year budget will be discussed in public and approved by City Council.

3. Approach and Procedure

The following approach is used in order to meet Council's stated objectives for multi-year budgeting and business planning.

The scope of multi-year planning and operating and capital budgeting extends to all City departments, as well as any civic partners whose budget requests are included in the corporate business plan and budget document.

Operating and Capital Budgets, Business Plans

- a. The *Municipal Government Act* section 243(3) states that estimated revenue & transfers must be at least sufficient to pay the estimated expenditures & transfers.
- b. Administration prepares long-term forecasts as background information to Council's preparation of guidelines for multi-year business plans and operating and capital budgets.
- c. Council prepares a Strategic Plan; a statement of its priorities for the multi-year period and provides budget guidelines to Administration that frame the preparation of multi-year departmental business plans and corresponding budgets.
- d. Administration prepares business plans that reflect Council's Strategic priorities and Council's Principles, and which are achievable within the limits of the approved budget guidelines.
- e. The CAO approves the Departmental business plans, including measures of performance and Council reviews these plans to ensure they're linked to the Strategic Plan.

- f. Based on the business plans, Administration prepares and proposes multi-year operating and capital budgets for Council approval.
- g. The budget includes the estimated property tax rates, and user fees, as well as changes to those rates and fees.
- h. The capital budget continues to include a five-year plan.

Budget Adoption

Municipalities are required by the *Municipal Government Act* to prepare operating budgets for each calendar year, but it is permissible to approve more than one year of budgets at the same time. Sections 242 (1) and 245 of the MGA require that an operating budget and a capital budget respectively must be adopted for each calendar year. Council will adopt a multi-year operating budget and a 5 year capital plan prior to December 31st of the year immediately prior to the first year in the multi-year budget.

Business Plan and Budget Adjustment

Below are guidelines for making adjustments to business plans, performance measures and targets, and operating and capital budgets after they are approved.

In this section “adjustment” is not synonymous with opening up the plans or budgets for a full-scale review. The intent is to adhere to the multi-year business plans and the budgets that support them, and to provide the opportunity to fine-tune them only when circumstances warrant.

Adjustments to the Plans and Budgets

- a. Include a bi-annual adjustment process in the Council calendar for spring (April / May) before the tax rate bylaw is approved by Council and late in the fiscal year (November/December) to adjust the plans, measures and budgets;
- b. Limit the budget adjustment requests to Council for the following circumstances only:
 - i. emergency circumstances;
 - ii. external factors such as provincial or federal budgets, or changes imposed on pension plan contributions or WCB payments (for example);
 - iii. adjustments to the operating budget related to capital project adjustments;
 - iv. unforeseen changes to economic forecasts affecting costs, service demand volumes, or revenue projections; and

- v. Council-directed changes to Strategic priorities, or results shown in performance reporting, that cause:
 - requests to carry over operating variances, and/or
 - business plan amendments that require budget changes;

Operational Variances

Council has approved a spending plan covering more than an annual period.

Departments should manage their spending in the context of more than one year. Therefore, the practice of carrying forward departmental budget variances will be managed as follows:

The City will not report an overall deficit.

- a. Negative departmental budget variance will be funded by the departmental stabilization Restricted Surplus Account. If the department is unable to manage the deficit within its own budget or restricted surplus account, a formal request to Council for use of General Corporate Stabilization Restricted Surplus may be made.
- b. Any positive departmental variances may be carried over within the Stabilization Restricted Surplus Fund to the maximum balance allowed in each Restricted Surplus Account. Refer to Restricted Surplus Account Policy #447
- c. Personnel variances (positive or negative) for all departments **except** Development and Infrastructure Services (departments Planning, Development, GIS and Office personnel), will be added to/taken from the Personnel Stabilization Restricted Surplus Fund. Refer to Restricted Surplus Account Policy #447
- d. Any annual surplus amount in excess of the maximum balances within the Stabilization Restricted Surplus Accounts will be added:
 - i. to the General Corporate Stabilization Restricted Surplus Account and the Municipal Infrastructure Lifecycle and Replacement Restricted Surplus Account in the amount of 50% each of the surplus amount until the maximum for General Corporate Stabilization Restricted Surplus Account has been reached, then
 - ii. 100% to the Municipal Infrastructure Lifecycle and Replacement Restricted Surplus Account.
- e. Departments may make formal requests to Council for withdrawals from the General Corporate Stabilization Restricted Surplus Fund. The General

Corporate Stabilization Restricted Surplus Account will support the other Stabilization Accounts should minimum balances occur.

Budget Projections

Ensure the connection between capital project approvals and resulting operating budget impacts is consistent with the careful planning and improved forecasts of costs and revenues for multi-year planning and budgeting.

Prepare multi-year budget projections that include both delivery of existing service level as the base amount and growth-related components:

- operating costs related to serving an increasing population and service area, (ie: new and ongoing operating costs related to donated/contributed assets);
- verifiable operating costs related to approved and anticipated capital programs.

Reporting

- a. Provide quarterly and year-end reports as a means to ensure Council is informed about the performance of the Corporation in relation to Council's Strategic Plan.
- b. Continue the quarterly monitoring and public reporting of financial performance through the variance reporting.

Policy Review

This Policy will be reviewed prior to each 4-year budget cycle.

Related Documents

Restricted Surplus Policy #447

Adopted by Council: Sep 17, 2018

Resolution Number: 392-18



MAYOR



CAO

Schedule 'A' – Multi-year Budget Timeline

<u>Council Election Date</u>	<u>Multi-Year Budget Period</u>
October 2017	January 2019 – December 2022
October 2021	January 2023 – December 2026
October 2025	January 2027 – December 2030
October 2029	January 2031 – December 2034
October 2033	January 2035 – December 2038