



# POLICY

Policy No.13 328 16/11/21  
Department: Finance  
Authority: Council

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## MULTI-YEAR BUDGET POLICY

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### **SCOPE:**

The Multi-year Budget Policy applies to Council, and all departments, and local boards of the Town of Nanton.

### **BACKGROUND:**

As per the Municipal Government Act, municipalities are required to prepare an annual operating budget, capital budget, and determine funds to be allocated to and from reserves. The annual multi-year business plan is an intricate part of the process in providing the link between strategic priorities and expenditures. This policy sets out guidelines for the preparation and approval of the budgets and allocations to reserves.

### **PURPOSE:**

As part of the Financial Policy Portfolio, this policy will demonstrate fiscal responsibility through transparency, accountability, spending within means, good planning including long range planning, strong purposeful assets balanced with the responsible use of liability (debt), and engagement of the community.

Specifically, the policy will

- Improve the efficiency of the budget process, making better use of time spent on preparation and time spent on reviewing.
- Ensure that budgets are consistent with Council's Strategic Plan and priorities
- Maintain affordable taxation and user rates
- Provide a foundation for monitoring actual expenditures against budgeted expenditures.

### **RELATED POLICIES:**

Reserves Policy  
Tangible Capital Asset Policy  
Purchasing Policy  
Council Remuneration & Reimbursement Policy  
Promotional Fund Policy

### **DEFINITIONS:**

**Budget Guidelines:** prior to the compiling of the annual budget Council will approve specific guidelines for the coming budget such as but not restricted to: minimum tax rate increase, maximum tax rate increase, a review of strategic priorities, council remuneration, community grants, level of service and program review.

**Capital Budget:** a plan for the proposed capital expenditures (assets with a life expectancy of greater than one year) to be incurred in the current year; identifying the asset and the method of financing. Items

in the capital budget must meet the cost thresholds and qualify as a betterment as prescribed in the Tangible Capital Asset Policy.

**Essential Services:** The Town of Nanton essential services are water, waste water, water distribution, solid waste collection, roads, and related infrastructure.

**Local board:** An external board which is consolidated in the Town's financial reporting. These boards report to Council and provide services to the Town. For example; the Thelma Fanning Library and FCSS thru Nanton Quality of Life.

**Accrual Basis of Accounting:** Accounting method that records revenues and expenses when they are incurred, regardless of when cash is exchanged.

**Multi-year Budget:** budgeting that spans three years; current year is detailed with subsequent two years becoming increasingly forecasting in nature as they move outward. Every year a new year is added and the current year is refined in conjunction with changes to the multi-year business plan.

**Multi-year Business Plan:** the multi-year business plan is prepared by Administration outlining the action plans for the strategic priorities as set by Council. It covers three years; the current year is detailed with subsequent two years becoming increasingly forecasting in nature. Every year a new year is added and the current year is refined in conjunction with the budget.

**Non-restricted Surplus:** an accumulation of net profit. It has no reference to any specific reserve.

**Operational Budget:** the budget containing allocations for expenditures such as wages and benefits, contracted services, supplies and materials, utilities, insurance, and other used in the provision of programs and services for the current fiscal year.

**Reserves (Restricted Surplus):** are monies put aside by Council to provide for expenditures outside the standard operations. The Town of Nanton organizes its reserves into two categories: operational and capital asset. Operational Reserves are contingency funds that accumulate and provide for funding of unexpected expenditures. Capital Asset Reserves are funds that accumulate and provide a "savings plan" for the upgrading, replacement, and/or purchase of costly municipal assets.

## GUIDELINES & PRINCIPALS

### 1. Link to the Town's Future Vision

Council will set direction with a clear vision and priorities that should be reviewed annually during strategic planning. The vision and priorities should be defined for a minimum of 5 years to support the 3 year time period covered by the Multi-Year business plan & budget.

Council and Administration will ensure that the Multi-Year Budget and multi-year business plan are continually focused on attaining the priorities included in the Town's future vision. The Town will allocate its resources through practical attainable goals and objectives in the multi-year business plan, budgets, and reserve allocations.

### 2. Collaborative Efforts

Council and Administration will work closely with municipal departments and other Stakeholders to obtain their input as the Multi-Year Budget and multi-year business plan is initially prepared and annually updated.



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### **3. Communication with the Community**

The annual Multi-Year Budget and multi-year business plan process will include an opportunity for meaningful community input. This input will be used in determining level of service delivery objectives and capital initiatives.

The approved Multi-Year Budget and multi-year business plan will be made available to Nanton's residents and other Stakeholders as a part of the Town's commitment to transparency.

Once accepted by Council, quarterly status reports will be made available to the Community to demonstrate accountability.

### **4. Stewardship**

- The budget will support existing infrastructure using a life-cycle strategy and asset management best practices. The multi-year business plan will address asset management and the multi-year Budget will include financial support for this plan.
- The budget will consider new infrastructure only when required to achieve the strategic plan.
- The budget will minimize reliance on debentures by focusing on funding reserves to address the infrastructure gap. The total annual allocation to capital reserve funds will be as prescribed in the Reserves Policy.
- The budget will address unfunded liabilities through reserve contributions.
- The budget will provide for the minimum level of operating (contingency) reserve funds as prescribed in the Reserves Policy.

### **5. Innovation**

The Multi-Year Budget and multi-year business plan will incorporate innovative approaches to service delivery and will include funding to allow for the development and implementation of operational efficiencies and cost-saving measures. Cost-sharing and partnership strategies will be pursued.

### **6. Long-Term Planning**

Nanton will focus its long-term planning efforts in a manner that consistently and continually strives to retain stability while enhancing programs and services. This focus will continually reference Nanton's long term strategies for the future. Planning will support a prosperous and sustainable community.

### **7. Council Approval**

Council retains the authority and responsibility to formally approve the Multi-Year Budget and accept the multi-year business plan annually.

Prior to the commencement of the first fiscal year included in a Multi-Year Budget, Council will formally approve a final version of this document that fully incorporates the direction given to Administration. This approval will be all inclusive for the strategies, objectives and financial parameters outlined in the document for each of the three years included in its time frame.

### **8. Council Authority to Revise & Update the Budget**

Council and Administration will work together a minimum of two times each year to update the Multi-Year Budget document.



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In the fall, they will examine and expand on the detailed plans for the coming year. Add one year to the document and potentially update the assumptions, planning initiatives and financial allocations outlined in the two remaining years of the document.

In the spring, they will review and potentially update the assumptions, plans and financial provisions that are included in the current year of the document. This review will ensure that the current year's budget allocations address any significant changes. The updated document will provide the basis for Council's approval of the Tax Rate Bylaw. The other two years that are included in the document may also be reviewed at this time.

Council may from time to time throughout the year in response to unexpected events or emergency adjust the budget by resolution.

## 9. Monitoring Progress

The Town will monitor progress made with implementing the Multi-year Budget and multi-year business plan by comparing actual results to stated objectives. The Director of Corporate Services will work with Department Heads to provide Quarterly Status Reports to the Chief Administrative Officer. The reports will be presented to and reviewed with Council at the Regular Meeting of Council.

Operation Budget Variations: Administration may only spend within their approved operating budget. Department managers may re-allocate within their budget up to 5%, Department reallocation of over 5% must be approved by the CAO. Department variations of over 5% will be reported to Council.

The CAO may re-allocate within the overall operational budget, even across departmental lines, providing that the reallocations meet the guidelines below and the overall organization budget is not exceeded. Overall budget variances of \$25,000 must be presented to Council for approval.

Actual operational expenditures may vary from the approved budget provided that

- Increased expenditures to provide an increase in the volume of a service are supported by additional revenue.
- Service levels are maintained, only Council can approve a change in service level
- Available budget is used to fund one-time expenditure to support existing operations.
- Available budget from staff vacancies can only be reallocated for a purpose other than staffing with approval of the CAO.
- Available budget remaining from special projects or one-time expenditures can only be reallocated with approval of the CAO.

Capital Budget Variations: Managers and department heads are required to report any anticipated over-expenditures for projects as soon as they are aware of the potential. The CAO may approve over-expenditures up to 10% or \$50,000. Variances in excess of 10% or \$50,000 must be approved by Council. Surplus funds from completed projects may be reallocated by the CAO up to 10% or \$50,000 of the completed project and reported to Council. Reallocations in excess of 10% must be approved by Council. Surplus reallocations may not be used for new projects unless approved by Council.

## 10. Key Assumptions Built Into the Multi-Year Budget

Council and Administration will work together annually to jointly review, confirm and potentially revise the key assumptions that will be incorporated into the multi-year business plan and subsequent Operating &



Capital Budgets. Key assumptions will be identified for:

- Budget is in keeping with the standards of accrual based accounting
- Inflation rates (based on Consumer Price Index) and related economic factors
- Property assessment growth and municipal tax rates
- Utility rates and other user fees and rental charges
- Population growth and demographic changes
- Projections for the construction of new residential and non-residential developments
- Staffing changes, succession plans and payroll costs
- Essential services receive priority funding.
- The appropriate use of one-time or unreliable revenues to fund one time expenditures.
- Enhancements to existing services and the addition of new services
- Enhancements to existing facilities and the addition of new facilities
- Ensure affordability without incurring financial difficulty or unreasonable risk.
- Fiscal capacity is being built to maintain a strong financial position which supports long range planning.
  - Appropriate allocation of funds to Operating and Capital Reserves.
  - A review of the Town's debt position as it relates to current and future plans.
  - Adherence to the reserve, debt, and other related policies.
- Identifying how Nanton will strive to keep municipal tax rates, utility fees and other user and rental charges relatively stable (i.e. provide for only modest increases annually, rather than planning for major one time increases sporadically.)
- Ensure the deployment of non-restricted surplus to finance annual debenture payments, invest in budget saving enhancements, and or enrich reserves.
- Future obligations the Town may incur as a result of new legislative, regulatory, or environmental compliance requirements
- The application of Partnership Agreements with other Municipalities that provide for the sharing and joint provision of services to residents of the respective jurisdictions
- A general contingency provision that will be incorporated into each Annual Operating and Capital Budget
- Other key items as may be deemed to be appropriate by Council.



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**11. Transition from One Council to the Next Council**

The Multi-Year Budget is intended to serve as a "bridge" that outlines the Town's future planning initiatives providing continuity from one Council to the next Council. Rather than beginning its new electoral term without a budget and/or planning document to refer to and review, the new Council will be able to utilize the Multi-Year Budget and multi-year business plan as a starting point for moving forward to provide direction for the future.

**12. Timeline**

The budget process should begin in early September and final approval of the Multi-year Budget including capital, operational, reserve allocation, and a multi-year business plan should be completed prior to the end of December.

The Multi-year budget will be reviewed and updated in April to allow for the creation of an accurate Tax Rate Bylaw

**13. Balanced Budget**

The annual budget will show a balance of revenues and transfers to expenditures. If in any year the operations statement shows a net loss that loss will be recouped within the next multi-year budget.

**ROLES AND RESPONSIBILITIES**

<b>Role</b>	<b>Responsibilities</b>
Municipal Council	<ul style="list-style-type: none"> <li>• Establish priorities through a strategic plan</li> <li>• Approve guidelines in advance of detailed budget preparation</li> <li>• Approve the proposed level of public engagement and communications</li> <li>• Review the budget submission in meetings of the whole Council</li> <li>• Adopt the budget</li> <li>• Approve the rates required for taxation and user fees by bylaw</li> </ul>
Chief Administrative Officer (CAO)	<ul style="list-style-type: none"> <li>• <i>Lead</i> in co-operation with the Director of Corporate Services and the Sn Management Team, the preparation of the budget guideline</li> <li>• Direct in co-operation with the Director of Corporate Services and the Sn Management Team the preparation and presentation of the budgets and multi-year business plan on an annual basis</li> <li>• Exercise financial control over all corporate operations in conjunction with the Director of Corporate Services to ensure compliance to the budget as approved by Council.</li> </ul>

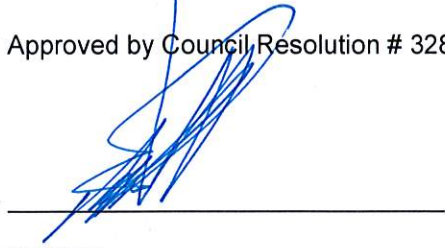


Senior Management Team	<ul style="list-style-type: none"> <li>• Conduct the budget review in an open and collaborative manner</li> <li>• Recognize the priorities of the municipality as a whole separate from specific department priorities, during the decision making process</li> <li>• Support the final approved budget in a unified manner</li> <li>• Participate in quarterly review of budget to actuals.</li> </ul>
Director of Corporate Services	<ul style="list-style-type: none"> <li>• Coordinate the overall preparation and administration of the budget</li> <li>• Ensure adherence to the financial policy portfolio.</li> <li>• Develop a community engagement plan, and communications strategies for Council review and approval</li> </ul>
Managers and Departments	<ul style="list-style-type: none"> <li>• In collaboration with the CAO and the Director of Corporate Services develop a realistic and responsible department multi-year business plan and budget in accordance with the established timeline, and process.</li> <li>• Submit budget requests based on supportable facts that can be well understood.</li> <li>• Review specific department budget to actuals quarterly and make adjustment and or recommendation.</li> </ul>

**STATUTES**

Municipal Government Act, M 26.1 Sections 242 to 249

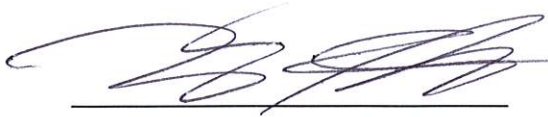
Approved by Council Resolution # 328 – 16/11/21



MAYOR

*November 22, 2016*

Date



CHIEF ADMINISTRATIVE OFFICER

*November 22, 2016*

Date




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