

Title: Budget and Taxation Guiding Principles Policy P-78-2015

Resolution: 395-2015 (Dec 1, 2015)

Revised:

Special Notes/Cross Reference:

Next Review Date:

POLICY STATEMENT : The adoption of the Town's budgets and tax rate bylaws are among the most critical functions undertaken by Council.

Budgets shall be developed in a consistent and planned manner, and budgets shall take into consideration the impacts on future years and the Town's ability to fund those impacts.

Municipal and utility operating budgets shall be prepared for a three year period and approved for a one year period. The Town will strive to maintain an appropriate base (capital envelope) in the operating budget to support the 10 year capital plan.

The Town shall maintain a fair, transparent and competitive system of municipal property taxation, while collecting the revenue necessary to meet municipal program and service funding obligations.

PURPOSE: To provide principles for the preparation of budgets and property taxation levies.

1. General

- a. The approved operating budget shall serve as the financial plan for the Town and as the policy document of the Town Council for implementing Council's goals and objectives. The approved operating budget shall provide Administration with the direction and resources necessary to accomplish Council determined service levels.
- b. Town Department Budgets shall:
 - i. Be comprised of operating and capital projects and programs, which are consistent with Council approved Strategic Plan
 - ii. Be comprised of capital projects and operating programs which balance the expectations of citizens for service levels with their ability and willingness to pay for those services; and
 - iii. Identify all costs associated with operating new equipment or facilities where capital projects are being recommended and identify the funding sources available.
- c. The need for programs and service levels will be the major considerations in determining tax rates.

- d. Council will consider input from the public and Administration during budget preparation and throughout the year.
- e. The municipal tax rates will be set by Council annually through the Tax Rate Bylaw.

2. Multi-Year Planning

Multi-year planning will enhance and improve the budget process by reinforcing the commitment to long-term fiscal health by looking beyond a one-year horizon. This multi-year view will provide citizens, businesses and agencies with longer-term information regarding the Town's planned programs.

3. Base Budget

The operating budget will be developed based on the principle to sustain current programs and level of services. Operating impacts from outside development and approved capital projects will be incorporated in the base as these are required to sustain the current level of services.

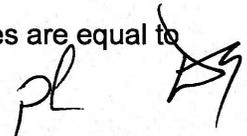
4. Capital Funding Strategy

The Town's capital funding strategy is based on a capital funding program that ensures that adequate funding is available to meet current and future capital expenditure requirements, repayment of long-term debt and the stabilization of the annual impact on property taxes.

- a. The capital funding program is a base budgeted amount that is built into the operating budget that supports the 10 year capital plan. The capital funding program consists of:
 - i. Pay-As-You-Go funding;
 - ii. Transfers to lifecycle reserves; and
 - iii. Budgeted funding to service long term debt
- b. A decrease (increase) in costs related to debt servicing shall result in an increase (decrease) to the reserve related to the capital envelope. An annual review will be performed by Administration to rebalance the program. The program is to be subject to Council approval during the annual budget process.
- c. Administration will review the capital funding program base annually and recommend adjustments if required, due to inflation or growth, to ensure the long term infrastructure needs will be met without significant impact to municipal taxes on an annual basis.
- d. If an increase/decrease to the capital funding program is warranted, a business case is required to be brought forward for Council approval.

5. Balanced Budget

- a. The Town shall adopted a balanced budget where operating revenues are equal to operating expenditures (not including amortization) for each year.



- b. Any Town year-end operating surpluses will be applied to:
 - i. Reserves for use in maintaining reserve levels set by Council policy; or
 - ii. One-time expenditures; or
 - iii. Repayment of outstanding debt; or
 - iv. Reduction of the tax rate if the Town year end surplus is borne from an ongoing operating surplus source; or
 - v. Any restricted reserves should have cash backing held in separate, identifiable bank account, guaranteed investment certificates, or other related financial instruments

6. One-time Revenues

- a. Major one-time revenues will be applied to:
 - i. Reserves for use in maintaining reserve levels set by Council policy; or
 - ii. One-time expenditures; or
 - iii. Repayment of outstanding debt.
- b. Operating surpluses and one-time revenues will not be used to fund ongoing expenditures, as this results in annual expenditure obligations, which may be unfunded in future years.

7. Use of Unpredictable Revenues

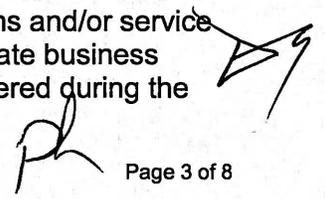
Unpredictable revenue sources will not be relied upon to directly fund expenditures until the revenue has been received.

8. Revenue Diversification

- a. The Town may charge fees for services where it is applicable and cost effective to do so.
- b. The Town will strive for full cost recovery where it is applicable and cost effective to do so.
- c. The Town will continuously seek new and diverse revenue so as to limit the dependence on one or only a few sources and in order to maintain needed services.

9. New Programs and Changes in Service Levels

- a. The operating budget will be developed based on the principle to sustain current programs and level of services. Recommendations for new programs and/or service level adjustments (increase or decrease) will be presented in separate business cases. Only in extreme circumstances will such requests be considered during the course of the year.



- b. The Town will pursue federal, provincial and private grants but will strictly limit financial support of these programs to avoid commitments beyond funding availability.

10. Reserves

- a. The Town will maintain appropriate reserves as determined by council through its reserve policy and planning
- b. The budget will allocate an appropriate level of funds to reserves in order to maintain service throughout economic cycles;
 - i. To ensure against unforeseen costs and revenue reductions;
 - ii. To provide bridge financing for capital;
 - iii. To allow the Town to take advantage of grants and/or market opportunities; and
 - iv. To ensure transfers are made in accordance with the respective reserve policy.
- c. In addition to its capital reserve funds, the Town will establish reserves:
 - i. To fund large, long-term liabilities; examples include, but are not limited to, contaminated sites, cemetery perpetual care etc.
 - ii. To eliminate tax rate fluctuations due to unanticipated expenditures and revenue shortfalls;
 - iii. To smooth expenditures; and
 - iv. To fund multiple year special projects.
- d. Use of reserves is planned and is not considered as an alternate-funding source in place of good financial practice. Long-term liabilities will be reviewed on an annual basis. Reserves and reserve funds will be established as required and maintained in accordance with their respective policy.
- e. Ensure that current revenues support current programs. The budget should provide that current programs are funded from current revenues and that reserves are used only as a temporary balancing measure.
- f. The Town has established a General Surplus Reserve in order to provide funds for non-recurring, emergent, one-time expenditures or losses of revenue that will not be built into the base operating budget in future years. The ceiling for this reserve has been established as 2% of the Town's annual municipal operating budget.
- g. The Town will maintain Lifecycle Reserves in order to ensure a current and sufficient asset base to support Town programs and services. Transfers to these reserves will be based on estimated replacement (less salvage) value divided by estimated life and will be established for any mobile and office equipment, building refurbishments, emergency equipment replacement, public art and technology infrastructure and

software. Future increases through Council approval to tangible assets during budget, like new fleet units or buildings, will increase transfers to the Lifecycle reserves.

- h. The Town maintains a Utilities Reserve to provide funds for the expansion, refurbishment or replacement of the Town's utility infrastructure, equipment or other non-recurring utility expenditures. Any operating utility surplus will be transferred to a Utility Reserve.
- i. Transfers from reserves for capital projects will be the budget allocation or the project required transfer after other sources (debt financing, grant, transfers from operation budget, etc.) have been allocated, whichever is less.

11. Infrastructure

- a. The Town will endeavour to preserve and renew its infrastructure, as a priority over developing new infrastructure.
- b. Projects and maintenance will not generally be deferred unless the need for the project or maintenance changes. As a result, projects in the 10 year capital forecast advance from year to year in an orderly fashion. Maintenance is not deferred to meet funding constraints since deferred maintenance generally results in increased operating or replacement costs in the future.
- c. Town Department Budgets will provide that an appropriate proportion of the costs of new development related to capital infrastructure, as determined by Council Policy, be financed by development charges.
- d. The Town shall prepare a multi-year operating forecast to identify the impact of new facilities and infrastructure. Unless the Town has the ability to afford the new facility, the project will not proceed.

12. Staffing

Any staffing requests will require a business case and are subject to Council approval. If approved, the budgeted will be at step three on the appropriate salary grid level.

13. Revenue Estimates

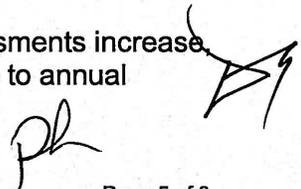
Operating revenue projections will be based on actual historic trends, supplemented with additional knowledge of future expectations.

14. Gifts in Kind

Gifts in kind shall be included with a budget by presenting the (estimated) value as an expenditure together with the related revenue of the gift.

15. Revenue Neutrality

The Town's tax revenues shall not increase automatically with market assessments increase in an effort to protect ratepayers from dramatic shifts in property taxation due to annual market value assessment changes.



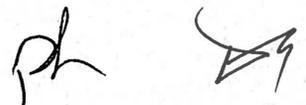
16. Tax Burden and Split Tax Rate

- a. New growth in assessment for residential and non-residential may be used to adjust the tax rate gap between classes.
- b. On an annual basis, Council will consider adjusting residential and non-residential tax rates at different percentages for the purpose of decreasing or maintaining the tax burden split.

17. Capital Planning

- a. The Town utilizes a 10 year capital plan that provides key strategic inputs for the upcoming budget year, a framework for the three year budget plan, and a future outlook of long range capital requirements.
- b. The Town utilizes two categories to define its infrastructure needs:
 - i. Repair, Maintain, Replace (RMR) – Capital initiatives that relate to maintaining current service levels that are required by lifecycle plans and are considered a replacement or rehabilitation of existing infrastructure, facilities and equipment.
 - ii. Growth – Capital initiatives that are required to meet future demand relating to facilities, equipment, technology and infrastructure for the development of cultivating and strengthening the community.
- c. The Town has several sources of financing available to be used towards capital infrastructure. The funding allocations are comprised of various Provincial and Federal grants, Town reserves, and predetermined amount of Pay As You Go (PAYG) funds established through the Capital Funding Program.
- d. Council will review and approve the RMR Capital Budget six months prior to the next fiscal year so that preparatory work and applications can be completed and be made available at the beginning of the next approved budget year. Expenditures relating to these RMR projects will not be incurred until final approval of the budget.
- e. Capital projects relating to growth will be reviewed during Council’s deliberation of the subsequent budget year.
- f. The provincial grant source: The Municipal Sustainability Initiative (MSI) allocation (following the phase-out of MSI for utilities) that the Town receives is distributed as follows:
 - 15% to capital growth projects
 - 85% for Municipal Capital Projects

This distribution will be reviewed by Council annually during budget deliberations.

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18. Budget Control

a. Operating Budget

Actual expenditures may vary from the approved budget provided that:

- i. Actual expenditures for each fund (General, Water and Sewer) will not exceed actual revenues
- ii. Permanent changes in service levels must be approved by Council as part of the normal budget development process or by Council resolution
- iii. Available budgets are not used to fund new, on-going expenditures
- iv. Available budgets from staff vacancies can only be reallocated for a purpose other than staffing, with approval of the CAO
- v. Available budget remaining from completion of a special or one-time expenditure item are not reallocated

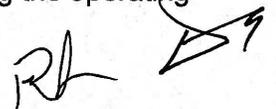
b. Capital Budget

Actual expenditures may vary from the approved budget provided that:

- i. Actual expenditures for each fund (General, Water and Sewer) will not exceed actual revenues
- ii. All capital projects contained in the approved budget are completed as planned, unless otherwise approved by Council
- iii. Throughout the budget period, opportunities arise to change the original scope of a project due to:
 - Lower tender results from budget;
 - Additional funding from unexpected revenues such as grants or contributions from agencies;
 - Unexpected circumstances impacting completion of a project.
- iv. If the original scope or budget of an approved project changes, and the change is greater than \$20,000 or 10% of the original budget, whichever is less, then formal approval from Council is required. The project department will be responsible to obtain Council approval.

19. Budget Amendments

All budget amendments must be approved by Council. A budget amendment is required if actual total expenditures for each fund (General, Water and Sewer) considering the operating and capital budgets separately, are expected to exceed budget.



20. Responsibilities

- a. The Director of Finance has overall responsibility to ensure compliance with this policy.
- b. The Department Heads have responsibility to ensure compliance with this policy as it relates to their department.
 - i. Department Heads have primary responsibility for monitoring and managing their department's financial performance in accordance with approved budgets
 - ii. Department Heads must notify the CAO and the Director of Finance as soon as they are aware that, despite best efforts, the department's net operating expenditures or net capital expenditures are expected to exceed budget

21. Reports

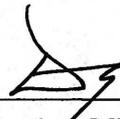
- a. The Director of Finance will prepare a quarterly report to Council comparing and analysing the approved budget with actuals to date and projected actuals for the fiscal period (Actual/Budget/Variance Report). The year-end report shall be incorporated with the submission of the annual audited financial statements.
- b. The CAO shall cause to be prepared by each Department Head a monthly Progress Report to Council on special and capital projects detailing actions taken on the work plans as detailed in their respective budgets.

22. Policy Review

This policy shall be reviewed annually by Administration. Any changes shall be recommended to Council for approval.



Mayor Ralph Leriger



Chief Administrative Officer Dean Krause