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|  | Council Policy: | | | |
| | Budget Guiding Principles | | | |
| Council Resolution No.:C486-2003 Date: September 2, 2003 | Department: | | Policy No.: | |
| | Financial Services | | FS-005 | |
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Purpose:

The purpose of this policy is to establish principles for the annual preparation of budgets and business plans. In some cases these principles will stand alone, while in others the principles are excerpts from separate policies established by Council.

The development of the City's Budget is one of the most critical functions undertaken by City Council and administration. The Budget is the fiscal plan that is built to support Council's Business Plan. The Budget provides authority for administration to spend City revenues on programs and services as directed by City Council.

As such, it is important that the annual budget be developed in a consistent and planned manner. The Budget should not be established without a good understanding of its impacts on future years and the ability to fund these impacts. The Budget for the City of St. Albert will roll out of the City's Business Plans.

Financial policies will be an integral part of the development of the budget.

Policy Statement:

The City's annual budget will be developed based on the following principles:

Guiding Budget Principles

General

- ◆ The operating budget shall serve as the annual financial plan for the City. It will serve as the policy document of City Council for implementing Council goals and objectives. The budget shall provide staff with the resources necessary to accomplish City Council determined service levels. Budget will support Business Plans.
- ◆ The Department Business Plans will:
 - a) be comprised of operating and capital projects and programs which are consistent with Council's approved Business Plan:

b) 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;

c) where capital projects are being recommended, identify all costs associated with operating the new equipment or facility.

- ◆ While the demand and need for local public services will be the major considerations in determining tax rates, local taxing efforts of other cities will also be reviewed.
- ◆ Council will seek public and Administration's input, not only during Budget preparation, but throughout the year. Public input will include opportunity for presentations to Council during budget deliberations.

Balanced Budget

- ◆ The City shall annually adopt a balanced budget where operating revenues are equal to operating expenditures.

Any year-end operating surpluses will be applied either to:

- reserves for use in maintaining reserve levels set by Council policy,
- one-time expenditures, or
- the repayment of outstanding debt.

One-time Revenues

- ◆ Major one-time revenues will be applied either to:
 - reserves for use in maintaining reserve levels set by Council policy,
 - one-time expenditures, or
 - the repayment of outstanding debt.

Operating surpluses and one-time revenues will not be used to fund ongoing expenditures, as this results in incurring annual expenditure obligations which may be unfunded in future years.

Diversify Revenues

- ◆ It is the policy of the City to charge fees for services where it is applicable and cost effective to do so.
- ◆ The City will strive for full cost recovery where it is applicable and cost effective to do so.
- ◆ The City will continuously seek new and diverse revenues so as to limit the dependence on one or only a few sources and in order to maintain needed services during periods of declining economic activity.

New Programs

- ◆ The City will consider General Fund requests for new or expanded programs during the course of the regular budget process. Only in extreme circumstances will such requests be considered during the course of the year.

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

Reserves

- ◆ The City will maintain appropriate Reserves as determined by Council through its reserve policy and planning.
- ◆ The Budget will allocate an appropriate level of funds to Reserves in order to maintain services throughout economic cycles:
 - ◆ to insure against unforeseen costs and revenue reductions;
 - ◆ to provide bridge financing for capital; and
 - ◆ to allow the City to take advantage of grants and/or market opportunities.
- ◆ In addition to its capital reserve funds, the City will establish reserves to fund:
 - ◆ large, long-term liabilities;
 - ◆ eliminate tax rate fluctuations due to unanticipated expenditures and revenue shortfalls;
 - ◆ smooth expenditures;
 - ◆ and fund multiple year special projects.
- ◆ 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.
- ◆ 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.
- ◆ The City has established a Stabilization Reserve in order to accommodate unexpected operational changes, legislative impacts, or other economic events affecting the City's operations which could not have been reasonably anticipated at the time the budget was prepared. Funding for this reserve has been established at 2% percent of the City's operating expenditures budget.
- ◆ The City will maintain an Equipment Replacement reserve in order to ensure a current and up to date fleet to support City programs and services. The transfer to reserve for replacement will be based on estimated replacement (less salvage) value divided by estimated life and will be established for any mobile and office equipment, communications and technology infrastructure and software. Where additions to the above are made as a result of business case support, additions to the transfer to reserve will be included to ensure the integrity of the reserve is maintained.

Infrastructure

- ◆ The City will endeavor to preserve and renew its infrastructure, as a priority over developing new infrastructure.
- ◆ 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.

- ◆ The Department Business Plans will provide that an appropriate proportion of the cost of new development related to capital infrastructure, as determined by Council Policy, be financed by development charges.
- ◆ The City prepares a multi-year operating forecast to identify the impact of new facilities and infrastructure. Unless the City has the ability to afford the new facility, the project will not proceed.

Staffing

- ◆ In general, unless unusual circumstances warrant, additional staffing requests included in Budget development will be based on a start date of April 1.

Revenue Estimates

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