



# City of Leduc Policy

**Policy Title: Budget Guiding Principles**

**Policy No: 11.00:19**

**Revision No: 2**

**Supersedes: Original Policy**

<b>Authority: City Council</b>	<b>Approval Date: June 12, 2023</b>
<b>Responsible Division: Administration</b>	<b>Effective Date: June 12, 2023</b>
<b>Relevant Legislation:</b>	
<b>Relevant Bylaw and Date(s): #297/2006</b>	
<b>Relevant Council Resolution:</b>	
<b>Authority's Signature:</b>	<i>R. G. J.</i>

## Policy Objective:

To establish principles for the preparation of the Municipal Budgets. In some cases, these principles will stand alone, while in others the principles are excerpts from separate policies established by Council.

The budget is the fiscal plan that is built to support Council's Strategic Plan and is part of the City's Financial and Corporate Planning process. The budget provides authority for Administration to spend the City's revenues on programs and services as directed by City Council. The budget also provides information that supports the decision-making process of Council and Administration.

Financial policies are an integral part of the development of the budget.

## Definitions:

- **Balanced Budget** – A budget where revenues equal expenditures, with neither a surplus nor a deficit.
- **Capital Budget** – Money budgeted for the acquisition or maintenance of fixed assets as identified through a 10-year capital plan.
- **Capital Expenditure** – An expenditure wherein funds are used to buy a fixed asset or to add to the value of an existing fixed asset.
- **Executive Team** – This is the top level of Administration and includes the City Manager, Chief Financial Officer, General Manager of Community and

- Protective Services, General Manager of Corporate Services, General Manager of Infrastructure and Planning and the City Solicitor.
- Operating Budget – Money budgeted for general revenues and expenditures, over a one-year period, in order to provide municipal services in the course of ordinary business.
  - Reserve – Monies set aside for future use that may be restricted to expenditure for specified purposes.
  - Strategic Plan – The strategic plan is developed by Council and identifies their community goals and outcomes for their electoral term.

**Policy:**

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

A. GENERAL

The Operating Budget is the annual financial plan for the City. It identifies the costs for all services and programs provided by the City and the sources of revenue to pay for those services. It also provides Administration with the resources necessary to provide the service levels determined by City Council. The Operating Budget will support Council's Strategic Plan.

The City shall prepare a 3-year Operating Budget in which the first year is approved and the subsequent years are accepted in principle.

B. BALANCED BUDGET

Each year, the City shall adopt a balanced budget where operating revenues are equal to or greater than operating expenditures.

Any year-end operating surpluses will be Distributed 50% to the Operating Reserve and 50% to Pay as you Go .

C. ONE-TIME REVENUES

One-time revenues will be matched with one-time operational or capital expenditures. The use of one-time revenues for balancing budgets shall be avoided, as these result in incurring annual expenditure obligations, which may be unfunded in future years.

#### D. REVENUES

1. Unpredictable revenue sources will not be used to fund expenditures until the revenue has been received.
2. Operating revenue estimates will be based on actual historic trends. Knowledge of future expectations will be taken into account. Since revenues are sensitive to economic conditions, revenue estimates adopted by City Council must be conservative.
3. Diversifying revenues
  - a) The City will charge fees for services where it is applicable and cost effective to do so.
  - b) The City will strive for full cost recovery where it is applicable and cost effective to do so.
  - c) The City will continuously seek new and alternative revenue sources 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.

#### E. NEW PROGRAMS / INCREASE / DECREASE IN SERVICE LEVEL

The Operating Budget will be built based on the principle to sustain current programs and level of services. New programs and / or an increase or decrease in service level will be presented in separate service level adjustments.

#### F. RESERVES

1. Reserves are established by Council for specific purposes and are administered in accordance with current municipal policies and the Public Sector Accounting Standards. They are used to offset impacts of major expenditures and stabilize the Operating and Capital Budgets.

The City maintains both operating and capital reserves. The operating reserve is used to fund unexpected or emergency expenditures, to smooth the impact of financial changes on taxpayers and service users or are set aside for specific future liabilities. The capital reserves are mainly used to support the City's capital planning.

2. All reserves are included in the approved Reserve Fund Overview as a part of the budget process and are funded from internal or external sources as defined in the Overview.

3. Funding to and from the reserves will be approved through Council in accordance with:
  - existing municipal policies;
  - the annual budget process;
  - the year end reserve transfer request and approval process;
  - the approved Reserve Fund Overview; or
  - Council resolution.
4. Interest earnings are generally intended to be applied to capital reserves only.
5. The City may borrow from reserves to reduce the overall impact of borrowing, if sufficient funds are available. Where the City decides to borrow internally, the rate used shall be the Government of Alberta rate for Loans to Local Authorities.
6. Each reserve will be supported by a ten-year projection of additions and uses of monies. These projections will be updated annually as part of the budget process.

#### G. CAPITAL

1. The City will strive to maintain an appropriate base in the Operating Budget to support the 10-Year Capital Budget. A decrease in debenture payments will result in an increase in transfers to reserve. Any operating impacts of capital projects will be included in the Operating budget.
2. Capital Expenditures are needed for:
  - a. Maintaining/replacing existing assets.
  - b. New infrastructure to support growth.
3. Approval of Multi-year Capital Budget

Approval of 3-year capital plan with the remaining 7 years approved in principle. The Multi-Year Capital Plan will be reviewed annually with Council.

4. Funding Multi-year Capital

Multi-year capital projects will be budgeted over the life of the project to effectively manage the large financial resources required over that time period. Any favourable or unfavourable variances will be carried forward for the life of the project. Any projected unfavourable

variances over the life of the project will be brought back to Council for approval.

Prioritization of funding is based on the Infrastructure Investment Strategy Policy No 12.02.09.

#### H. BUDGET ADJUSTMENTS

Adjustments that are required to the Operating and Capital Budget after approval by Council may be made under the authorization of the City Administration Bylaw. Refer to the 'Financial Powers' section in Bylaw No. 872-2014 City Administration Bylaw.

Any additional adjustments that are required, which do not fall within the parameters of the City Administration Bylaw, must be brought forward to Council for approval.

#### I. BUDGET PROCESS

The budget process shall begin with discussions with Council and Executive to obtain an understanding of all Strategic and Corporate goals. The budget process will be facilitated by frequent touchpoints between Council, Executive and Administration throughout the year. Taking the Strategic and Corporate goals into consideration, each department shall prepare a 3-Year Operating Budget and a 10-Year Capital Plan. The budget will be deliberated at the Public Budget Meetings before being approved and passed by Council.

### **Appendices**

Not applicable