

2012 BUDGET & 2013 -2017 PLAN GUIDELINES

2012 Budget Theme

“Investing in Sustainable Communities”

Fiscal Resilience Pillars

The Regional Municipality of Wood Buffalo seeks to establish an organization that is both fiscally adaptive and regenerative. To achieve fiscal resilience, the Municipality commits to develop its long-term financial position based on the following eight (8) pillars of financial resilience, one budget at a time:

- **Diversity** – Diversity is achieved by keeping a multi-faceted perspective on financial health. It will entail maintenance and balance of diverse revenue sources and reserves to reduce reliance on annual tax increments. Diversity also incorporates enlarging the base of supportive stakeholders
- **Redundancy** – Redundancy is achieved through establishment of ‘true-reserves’ guided or managed through policy and directives. Multiple strategies for long-term financial health will be pursued; and a reserve policy to prevent use for recurring expenditures and specifying the purpose of reserves will be maintained
- **Decentralization** – This involves engaging departments in identifying issues, analyzing them and developing strategies. Departments will also be engaged in financial modelling and forecasting with managers responsible for managing their cost and revenue structures. This will result in the development of an organization-wide strategic framework that departments can innovate within
- **Transparency** – Transparency implies openness, communication and accountability through-out the financial planning processes. The Municipality will promote transparency in key areas like goals and objectives, forecast assumptions and reserve standards. Full-cost (direct and indirect) accounting will also be used for programs
- **Collaboration** – This entails building Elected Officials’ service priorities into the budget plan. Key indicators will also be used to help elected officials stay abreast on the financial condition of the Municipality
- **Continuously Learn** – Daily achievement is firmly rooted in our collective determination that what we do, we do well. Continuous learning recognizes changing conditions to make a soft landing which in turn promotes credibility and open dialogue to learn from and correct failure
- **Flexibility** – Position for constant change. Each department will monitor its environment for developments that require change or adjustment in plans and be prepared to respond swiftly, effectively and efficiently
- **Foresight** – This principle entails the development of effective forecasting techniques, capacity building among administration and elected officials for strategic diagnosis. It also complements financial planning with other long-term plans – “*You can’t predict the future, but you can hear its footsteps approaching*”. Departments in collaboration with Financial Planning must develop and use financial forecasts based on:
 - Resisting to predict the future but to identify the parameters within which to execute strategies;
 - Involving other departments; and
 - Developing flexible scenario modeling to show impacts of different possible futures.

OPERATING BUDGET DEVELOPMENT GUIDELINES

The 2012 operating budget and 2013 – 2014 operating plans shall be guided by fiscal health measures of: sustainability, flexibility and vulnerability.

- **SUSTAINABILITY** – the degree to which the Municipality can maintain existing programs and meet existing creditor requirements without increasing the debt burden
- **FLEXIBILITY** – the degree to which the Municipality can increase its financial resources to respond to rising commitments, by either expanding its revenues or increasing its debt burden
- **VULNERABILITY** – the degree to which the Municipality becomes dependent on, and therefore vulnerable to, sources of funding outside of its control or influence

General Guidelines:

- Current revenues support current expenditures
- Align business plans and budget with Municipal Development Plan
- Maintain approved fiscal stability reserves
- Provide sufficient asset maintenance funding
- Maintain quality of life programs in place
- Identify increasing service levels based on demonstrated demand
- Maintain competitive compensation and benefits package for Regional Municipality's employees

Budget Baseline

In general, all accounts are to be budgeted as follows:

- Salary & benefits as per active or estimated wage settlement contracts plus growth
- Contracted services as per contract terms
- All other expenses as per growth or incremental costs

The 2012 Base line budget is set by taking into account existing recurring costs, fiscal strategy, trends and adjusting for annualized costs (where applicable), growth, program/service level changes and inflation:

- **Annualized Costs** – Review on-going expenses such as personnel or contracted services that started during 2011. Calculate and include in the base year the equivalent of relevant full year's costs
- **Growth** – Increases/Decreases as a result of population changes. Includes the additional costs required to maintain the same level of service to a larger or smaller population or service area. Identify the impact on the operating budget of new/completed capital assets for 2012 and anticipated impacts for 2013 and 2014. All growth funding requests must be justified through demonstrated changes in workloads or service demand
- **Inflation** – While inflationary assumptions are included as part of these guidelines, departments are expected to absorb normal inflation within their 2012 allocation
- **Program/Service Level changes** - Include Council supported changes to existing or initiation of new program/service

CAPITAL BUDGET DEVELOPMENT GUIDELINES

Each capital request must meet definition of a tangible capital asset as defined in the Administrative Directive – Tangible Capital Assets.

Consideration must be given to whether a capital request is a betterment versus maintenance as defined within the Municipality's Administrative Directive – Tangible Capital Assets.

Capital funding requests will:

1. Require submission of a Capital Request form; and
2. Require submission of a Capital Business Case for new 2012 requests only

Capital projects that are classified as multiple-year typically follow three distinct phases:

1. Pre-Design/Design
2. Land (where applicable)
3. Construction

In order to ensure that the appropriate type and timing of funding is provided, each phase must be budgeted as a separate project requiring a separate request form. The naming of the project should include the phase (E.g. Water Treatment Plant Pre-Design, Water Treatment Plant Design, and Water Treatment Plant Construction). Pre-design costs will be funded from a source other than debt. Capital projects may be grouped differently and consolidated for various presentation purposes and approval.

The separation of each phase will allow more accurate information to be reflected in the capital request form as the project progresses. For example, upon completion of the design phase, more accurate budget estimates will be available to support the debenture borrowing estimate and total project costs. Feasibility studies are to be budgeted within the operating budget. A feasibility study may not result in the next phase of a capital asset.

Capital Business Cases must be completed (or updated) for:

1. 2012 Capital Requests
2. Previously approved multi-year projects, if scope changes and/or increased costs of 15% or more of original project have occurred

Capital Requests with Operating Budget Impacts

Capital requests which require operating budget resources (during construction of the project and for ongoing operations/maintenance after completion) must be identified in the Capital Business Case and be incorporated into the departmental operating budgets for affected years.

Appropriate due diligence must be dedicated to this portion of the capital budget request to ensure that all information is available at the time a decision is made. Failure to incorporate adequate operating budget impact information, could lead to the rejection of the project.

Capital Request Criteria

A capital request must meet at least one, maximum of two, of the following criteria in order to be considered for inclusion in the capital budget/plan:



- Health or Safety issue
- Legislated Changes/Contractual Obligations
- Maintenance of Existing Assets
- Maintaining Current Service Levels
- Increased Efficiencies
- Increase in Level of Existing Service
- New Service

Refer to Capital Request Template for definitions of each criteria and guidelines for assigning priority.

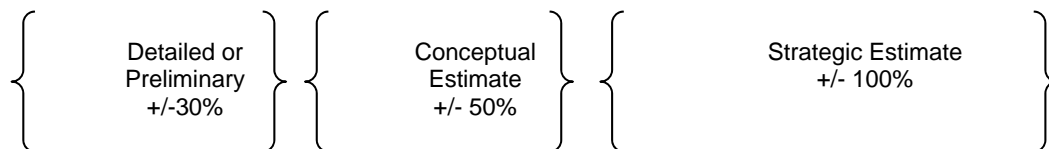
Capital Request Prioritization

All capital requests for all years of the budget/financial plan will be ranked (and subsequently approved) in order of corporate-wide priority utilizing the Capital Request Criteria above. Refer to Capital Request Template for further guidance and instruction. The Capital Projects Steering Committee may re-prioritize projects outside the existing criteria.

Capital Cost Estimates

Each Capital Request form shall indicate the type of cost estimate utilized as follows:

- Detailed – Typically utilized for multiple year projects in progress where specific estimates have been obtained, therefore a higher degree of accuracy is expected +/- 15%
- Preliminary - Estimate for a capital request in the budget year, but where detailed research has not occurred. Cost estimate within the range of +/- 30%
- Conceptual – Estimate for a capital request in 2012 (first year of capital plan). Cost estimate within the range of +/- 50%
- Strategic - Estimate for a capital request in 2013-2017 (future years for capital plan). Cost estimate within range of +100%.



Fleet and Other Equipment Purchases

All fleet and equipment purchases must be vetted through Fleet Services Department to ensure specifications and budget information is adequate. Individual capital request forms will be categorized and included as a consolidated budget amount within the categories determined. Summarized listings will also be included in the capital budget request.

A determination will also be made on the appropriate purchase option (i.e. Capital Lease vs. Buy). Fleet Services Department will also determine the most efficient use of the Municipal fleet when reviewing requests to purchase additional vehicles.

CAPITAL FUNDING SOURCES

An effective capital improvement plan funding strategy employs a mix of funding options or instruments that include:

- **Capital Infrastructure Reserve**
- **Debt**
- **Grants**
- **Offsite Levies**
- **Other**

Taxation

Tax revenues will be budgeted based on the 2011 – 2014 Fiscal Management Strategy. A portion of taxation revenue is transferred from the operating budget to fund capital improvement program.

Offsite Levies/Development Impact Fees

Developer fees are charged for development impact and properly segregated to fund infrastructure associated with the development.

Capital Grants

The Regional Municipality of Wood Buffalo encourages the use of capital grants under the following principles:

- All grants made available to the Municipality are approved and supported by a properly executed grant agreement
- All grants are vetted and inventoried through the office of Grants Administrator
- Each recipient department is responsible for coordinating grant application, interim reporting and grant close out process with the office of Grants Administrator
- Each responsible department will ensure that funds received are spent for eligible costs
- Business Analysts must familiarize themselves with available per capita and competitive capital grants and work through the office of Grant Administrator to secure pre-approval for grant funding for capital improvement plan projects
- Each responsible department shall ensure that recipients of pass-through capital grants are fully informed of specific grant guidelines and shall enter into suitable grant contract with recipients where applicable



CAPITAL FUNDING ALLOCATION

Preliminary Funding Allocation

Project Managers and Business Analysts should familiarize themselves with the nature and availability of funding sources for each project at the planning stage. The following guidelines will assist in that process:

1. Review all multiple year projects in progress to determine funding that has already been approved and consider the following:
 - a. Debenture funded projects should continue as debenture funded even though a debenture bylaw amendment may be required;
 - b. Identify grant funding, if any, and apply additional grant funding from the same grant if available, eligible and applicable; and
 - c. Continue with reserve funding if initial years of the project were reserve funded since you cannot initiate a debenture once a project has started.
2. Apply grant funding to applicable projects with the following considerations:
 - a. Attempt to apply grants to projects that can utilize the entire grant to decrease the amount of administration required;
 - b. Apply grants to projects where there is a history of completion to ensure that funding is not jeopardized due to funding deadlines; and
 - c. Previous grant funding must be confirmed to ensure that funding has been approved by the granting authority.
3. Apply off-site levies to eligible projects.
4. Apply Capital Infrastructure Reserve funding to projects based on the following considerations:
 - a. Design and pre-design projects: This is the rationale for separating design and pre-design from the construction phase of a project;
 - b. Relative value: A project involving a large dollar value is difficult to budget from the reserve fund;
 - c. Projects that were previously reserve funded; and
 - d. Lower dollar capital projects.
5. Apply debenture funding to projects based on the following considerations:
 - a. Higher dollar value; and
 - b. Utility rate funded projects take precedent for debt funding if they are higher in value.

Final Funding Allocation

Capital funding requests are prioritized corporately based on a score system. Multi-year projects are ranked higher so as to ensure that projects progress to completion without interruption. New projects are then funded based on their score delivery capacity and funding limitations. Financial Planning branch will make final funding recommendations.

Community Group Funding Assistance/Grants

Funding requests from community groups must be appropriately identified as capital contribution to a community group. Recipients must comply with the conditions of the contribution agreement.

