

## BUDGET AND FINANCIAL POLICIES

The Regional Municipality of Wood Buffalo's Budget and Financial Policies are intended to serve as a Council-approved set of values and expectations for Council Members, Municipal staff, citizens and other interested parties who may do business with the Municipality. The policies describe expectations for financial planning, budgeting, accounting, reporting and other management practices. They have been prepared to assure prudent financial management and responsible stewardship of the Municipality's financial and physical resources as well as ensure public trust.

### BASIS OF BUDGETING

Basis of budgeting refers to the timing factor concept in recognizing when resources are available to fund services, programs and acquisition of assets. The Regional Municipality of Wood Buffalo utilizes 'modified accrual' basis for its budget process. In this regard, revenues are recognized in the period they are deemed available and measurable to meet or pay for liabilities.

### BALANCED BUDGET

A balanced budget for the Municipality refers to revenues and transfers equal to expenditures exclusive of the amortization expense for each budget year.

### BUDGET CYCLE

The Municipality's budget cycle follows the calendar year, January 1 through December 31. Council approves one year operating and capital budgets. Two years of operating forecast and five years of capital plan are submitted as part of the annual budget package as information.

### 2012 Operating Budget and 2013-2014 Plans Development Calendar

The following is a high level 2012 Operating Budget and 2013-2014 Plans development Calendar:

<u>Month/2011</u>	<u>Activity</u>
<b>January – April</b>	» Develop 2011 – 2014 Fiscal Management Strategy
<b>May</b>	» Council consider 2011 – 2014 Fiscal Management Strategy » Council consider 2011 Property Tax Bylaw
<b>May - June</b>	» Financial Planning develop 2012 Operating/Capital Baseline Budget » Leadership Team set 2012 Budget Guidelines
<b>July</b>	» Budget guidelines Rollout & Divisional budget kickoff and review meetings » 2012 – 2014 Business Planning sessions and process
<b>August</b>	» Draft Business Plans due to Strategic Planning and Performance Measurement » Draft Municipal Development Plan Released (internal) » Draft Budget Analyst Notes due to Financial Planning
<b>September</b>	» Council consider Municipal Development Plan » Business Plans due to Strategic Planning and Performance Measurement » Budget Analyst Notes due to Financial Planning



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| <b>October</b>  | <ul style="list-style-type: none"> <li>» Council consider Municipal Development Plan</li> <li>» Corporate Budget Review</li> <li>» Recommended Budget Package and Document due to Leadership Team</li> </ul> |
| <b>November</b> | <ul style="list-style-type: none"> <li>» Release 2012 Budget and Plan</li> <li>» Council Workshop 2012 Budget and Plan</li> </ul>  |
| <b>December</b> | <ul style="list-style-type: none"> <li>» Council consider 2012 Budget and Plan</li> <li>» Publish approved budget document</li> </ul>  |

## BUDGET AMENDMENTS

### *Operating Budget*

Operating budget amendments are managed through a variance and projection process at the corporate level. Departments conduct variance analysis at the end of each month and project year end out turn. With the approval of the Fiscal Responsibility Policy by Council on April 26, 2011, the Chief Administrative Officer or designate is authorized to re-allocate operating funds provided that:

- i. the changes will result in efficient administrative and service delivery process;
- ii. service levels or standards are not altered or compromised;
- iii. no new services, programs or projects are undertaken; and
- iv. Council set total spending limit is not exceeded

### *Capital Budget*

Amendments to the capital budget are approved by Council. With the approval of the Fiscal Responsibility Policy by Council on April 26, 2011, the Chief Administrative Officer or designate is authorized to re-allocate operating funds provided that:

- i. the changes will result in efficient administrative and service delivery process;
- ii. the change will not result in addition or cancellation of a capital project;
- iii. the underlying scope change does not alter the nature and type of capital project;
- iv. where additional funding is required, funds available from a combination of savings from fully tendered projects, other uncommitted sources such as grants and offsite levies, and cash flow management with other capital projects will be utilized; and
- v. Council set debt and debt service limits are not exceeded

## SPECIFIC FINANCIAL POLICIES

### ***User Fees/Charges for Services***

The Municipality relies on user fees or charges for services to offset some of the costs related to service delivery. User fees policies recognize and seek to protect vulnerable segments of the population such as youth and seniors and make attempts to balance need for service with ability to pay.



### **Debt Policy**

The Municipality's debt management policy establishes debt and debt service limit thresholds that satisfy the following objectives:

- Ensure the maximum debt and debt service limit is lower than the debt and debt service limit established under the Municipal Government Act and regulations;
- Provide flexibility during changing economic conditions;
- Effectively manage debt with ability to pay;
- Effectively support initiatives as identified in the Corporate Strategic Plan, Departmental Business Plans, Budgets and Financial plans; and
- Establish thresholds for acquiring debt versus other funding sources

In July 2010, Council reviewed and set debt and debt service limits at 75% limits provided in the Municipal Government Act.

### **Investment Policy**

The Municipality's investment policy aims for the following objectives:

- **Safety** – Safety of principal is the foremost objective of the investment program. The Municipality will ensure that sufficient diversification exists within the investment portfolio;
- **Liquidity** – The investment portfolio will remain sufficiently liquid or (easily converted to cash) to enable the Municipality to meet its operating and capital cash flow requirements, which may be reasonably anticipated in the short and long-term. To the extent possible, the Municipality will attempt to match its investments with anticipated cash flow requirements;
- **Return on Investment** – The investment portfolio shall be designed with the objective of attaining a market rate of return, taking into consideration the Municipality's investment risk constraints and liquidity requirements

Further, the Municipality's investment activities are guided by the Municipal Government Act (MGA).

## **RESERVES**

As part of a deliberate long-term planning and fiscal sustainability efforts, the Municipality has put in place two major reserves - Emerging Issues and Capital Infrastructure.

### **Emerging Issues Reserve (EIR)**

The Municipality has put in place the Emerging Issues Reserve to stabilize operating revenues in response to unanticipated loss of revenue as well as provide funding flexibility in responding to emergencies, unplanned events, and significant price changes. The minimum EIR balance is \$50 Million while the maximum is set at 15% of prior years audited net property tax revenue. Council approval is required to utilize funding from the Emerging issues Reserve.

### **Capital Infrastructure Reserve (CIR)**

The Municipality has put in place the Capital Infrastructure Reserve to fund unanticipated capital program requirements i.e. construction or acquisition of tangible capital assets. The minimum CIR balance is \$50 Million and Council approval is required to utilize funding from the Capital Infrastructure Reserve.

