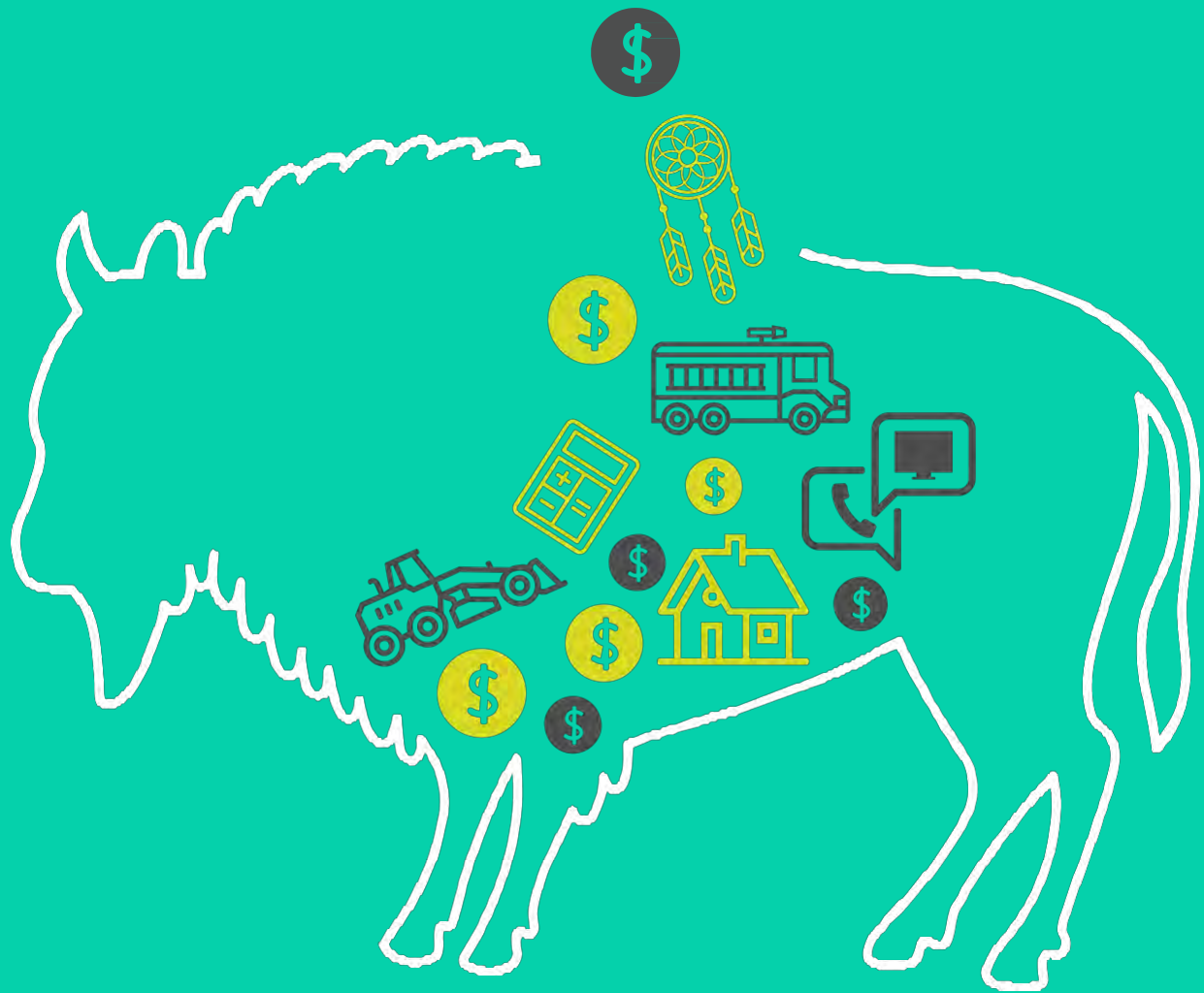


Regional Municipality of Wood Buffalo's

Budget Primer

Making sense of the Municipal Budget



rmwb.ca/budget

Table of Contents

| | |
|--|----|
| Get Primed for the Budget..... | 1 |
| Accessing the Budget..... | 2 |
| Delegations – Presenting to Council..... | 2 |
| Using the Budget Document..... | 2 |
| The Budget Cycle..... | 3 |
| Why an Annual Budget?..... | 3 |
| Yearly Budget Work Plan..... | 4 |
| Balancing Priorities..... | 5 |
| Rightsizing for the Future..... | 6 |
| What is Zero-Based Budgeting?..... | 6 |
| Breaking Down the Budget..... | 7 |
| Operating Budget..... | 8 |
| Capital Budget..... | 9 |
| An Outline of Revenue and Expenses..... | 10 |
| Balancing the Budget..... | 10 |
| A Closer Look at Revenue and Expenses..... | 11 |
| Asset Management..... | 12 |
| Debt - Regulation and Policy..... | 12 |
| Types of Municipal Debt..... | 13 |
| Glossary Terms..... | 14 |

Get Primed for the Budget

Are you interested in becoming more aware and engaged in the municipal budget process?

Do you want to know more about the services provided by the Regional Municipality of Wood Buffalo?

This Budget Primer will help you get a solid foundation of how the budget works and how it provides for municipal services and infrastructure for Wood Buffalo residents.

DISCLAIMER:

The Budget Primer does not replace the budget documents that are reviewed and adopted by Council.

This Primer is intended to provide for a better understanding of how the budget is developed, examples of what budget dollars cover, and an outline of municipal services.

Charts and infographics provided are for example purposes only and do not represent the current financial state of the Municipality. For current information and updates, and to view budget documents adopted by Council, please visit rmwb.ca/budget.

Accessing the Budget

The budget process is responsible, transparent and accountable to taxpayers. Every year when Council begins the public portion of budget review, residents are invited to watch budget meetings (in-person or online at rmwb.ca/council)

Residents can also have their say by participating in the delegation process in Council Chamber, or view budget documents and presentations on the municipal website at rmwb.ca/budget.

Delegations - Presenting to Council

Residents' involvement is an essential part of the democratic process. As a means of making the budget process more accountable to taxpayers, residents are provided with opportunities to

make presentations to Council throughout the budget deliberation process. Find out more about how you can get engaged in this process at rmwb.ca/council.

Using the Budget Document

The budget document describes how the Regional Municipality of Wood Buffalo plans to meet the public service and infrastructure needs of its residents. In addition, the budget document provides resourceful information for residents interested in learning about the operation of the Municipality.

The Municipality's budget document is meant to serve several functions:

- **POLICY DOCUMENT:** At the highest level, the budget document is a culmination of a comprehensive operational review. Council and Administration review the needs of the region, priorities and goals and then match resources against those needs, priorities and goals. Resources are limited, so choices must be made. The annual budget reflects those choices.

- **FINANCIAL PLAN:** The budget document establishes the basic guidelines that the Municipality uses to measure and control expenditures and to track revenues. Financial planning takes a longer-term view of budgeting by accounting for recurring costs, fiscal strategy, and trends while adjusting for growth, program/service level changes and inflation.

- **COMMUNICATION TOOL:** The budget document is one of the means the Municipality uses to explain the various demands, needs, constraints, resources, and opportunities it faces. It communicates the choices made and the direction in which the Municipality is headed.

The Budget Cycle

A considerable amount of effort is put into developing the budget and financial plans, and once they have been approved, Administration goes back to the table to begin planning for the following year's budget.

In short – budget development is an ongoing process throughout the year, every year.

The Municipality's budget follows the calendar year: January 1 through December 31. Council reviews and approves a one-year Operating Budget and a two-year Financial

Plan, as well as a multi-year Capital Budget and Capital Plan.

The public part of the process usually begins in the fall, and Council publicly reviews the proposed budget that has been developed by Administration for the following year.

Once this budget has been thoroughly reviewed and discussed, the proposed budget will be brought to Council once again for final approval.

Why an Annual Budget?

The Municipal Government Act (MGA) is the provincial statute that creates and governs Alberta's municipalities, including the Regional Municipality of Wood Buffalo. The MGA prescribes the frequency of the municipal budgeting process.

An annual budget also helps the Municipality to be proactive in financial planning and make adjustments based on a number of changing conditions that affect municipalities – economy, population, evolving priorities, and strategic directions.

Yearly Budget Work Plan

January - April

Develop Fiscal Management Strategy
Develop Property Tax Bylaw

April - May

Council consideration/approval of Fiscal Management Strategy
Council consideration/approval of Property Tax Bylaw

May - June

Develop Pre-Budget guidelines and templates
Present guidelines and timelines to Senior Leadership Team

July

Departmental Budget request preparations

August - September

Draft Departmental Operating Budget Notes
Develop Capital Budget Business Case
Draft Capital Budget package distributed to Directors
Information Technology Steering Committee to review IT Capital Budget requests
Capital Budget submissions made to Financial Planning

October - November

Draft Departmental Operating Budgets
Draft Capital Budget requests for Senior Leadership to review
Hold Budget meetings for Council and Public to review proposed Annual Budget
Proposed Budget documents and plans (Operating and Capital) presented to Council for their consideration/approval

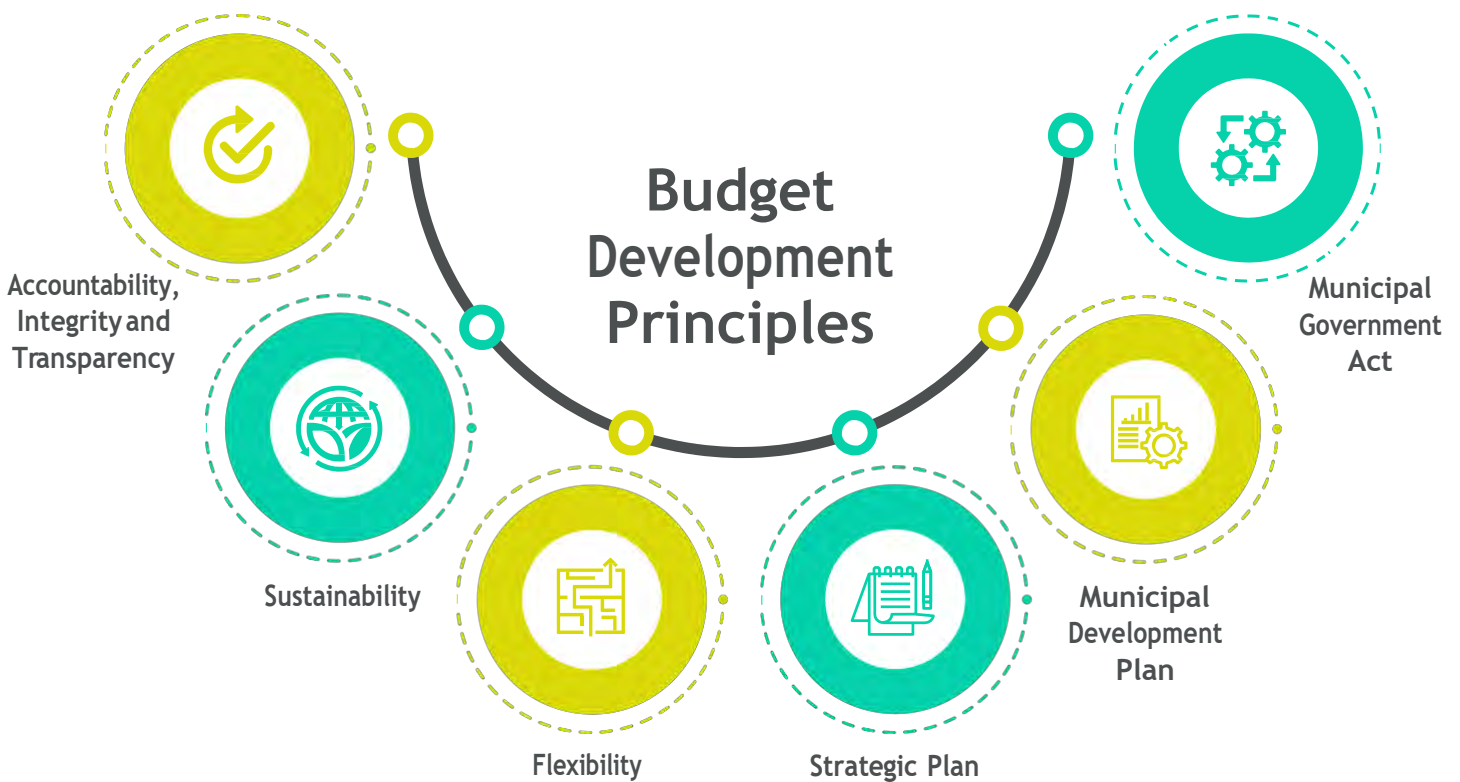
Balancing Priorities

Every time your street is plowed, your garbage or recycling is collected, you visit a trail or park, or catch the bus, budget dollars are at work. Decisions made as part of the budget development determine funding for the programs and services that maintain our quality of life.

Developing the budget involves making decisions and prioritizing between essential programs, infrastructure demands, and the wants and needs of residents. It is the

responsibility of the Mayor and Councillors to lead Administration through this process and to make those difficult decisions on behalf of taxpayers.

A number of budget principles have been put in place to guide the budget development and ensure prudent use of taxpayers' dollars without compromising the integrity of operations or the delivery of public services.



Rightsizing for the Future

The budget is the foundation on which a sustainable future is built to meet the public service and infrastructure needs of residents. The Municipality is committed to the residents we serve and are making strategic decisions today that will ensure that we are fiscally sustainable and well-positioned for a strong future.

Budget decisions, therefore, need to be reflective of the realities faced by our neighbours, families, friends and taxpayers. That is why it is so important that the budget reflect sensible use of tax dollars while continuing to provide municipal services and operations.

In response to changing conditions and expectations in the region, the Municipality has embraced a different approach in developing the budget called Zero-Based Budgeting. This process was chosen as a strategy to help create efficiencies, avoid duplication, and streamline processes and procedures.

Through Zero-Based Budgeting, the Municipality is able to save on costs, reduce the budget and find efficiencies.

What is Zero-Based Budgeting?

We've used the principles of Zero-Based Budgeting because it allows the Municipality to review the entire organization and its operations and take a closer look - every function is analyzed and justified starting from zero dollars.

We comb through every function in the organization, analyzing needs and costs and justifying every expense. This exercise helps

identify where reductions can be made and processes streamlined. All departmental budgets are examined to see how each function contributes to the region's needs in the upcoming budget period. This approach also helps to assess the efficiency and effectiveness of services while allowing opportunities to make improvements.

Breaking Down the Budget

When taking a high-level view of the budget, it can be broken down into two categories: Operating Budget and Capital Budget.

Why break down the budget into these two categories?

A budget is really just a plan for how dollars will be used, invested or earned over a given time period. In the simplest terms, the Operating Budget focuses on the shorter, day-to-day term,

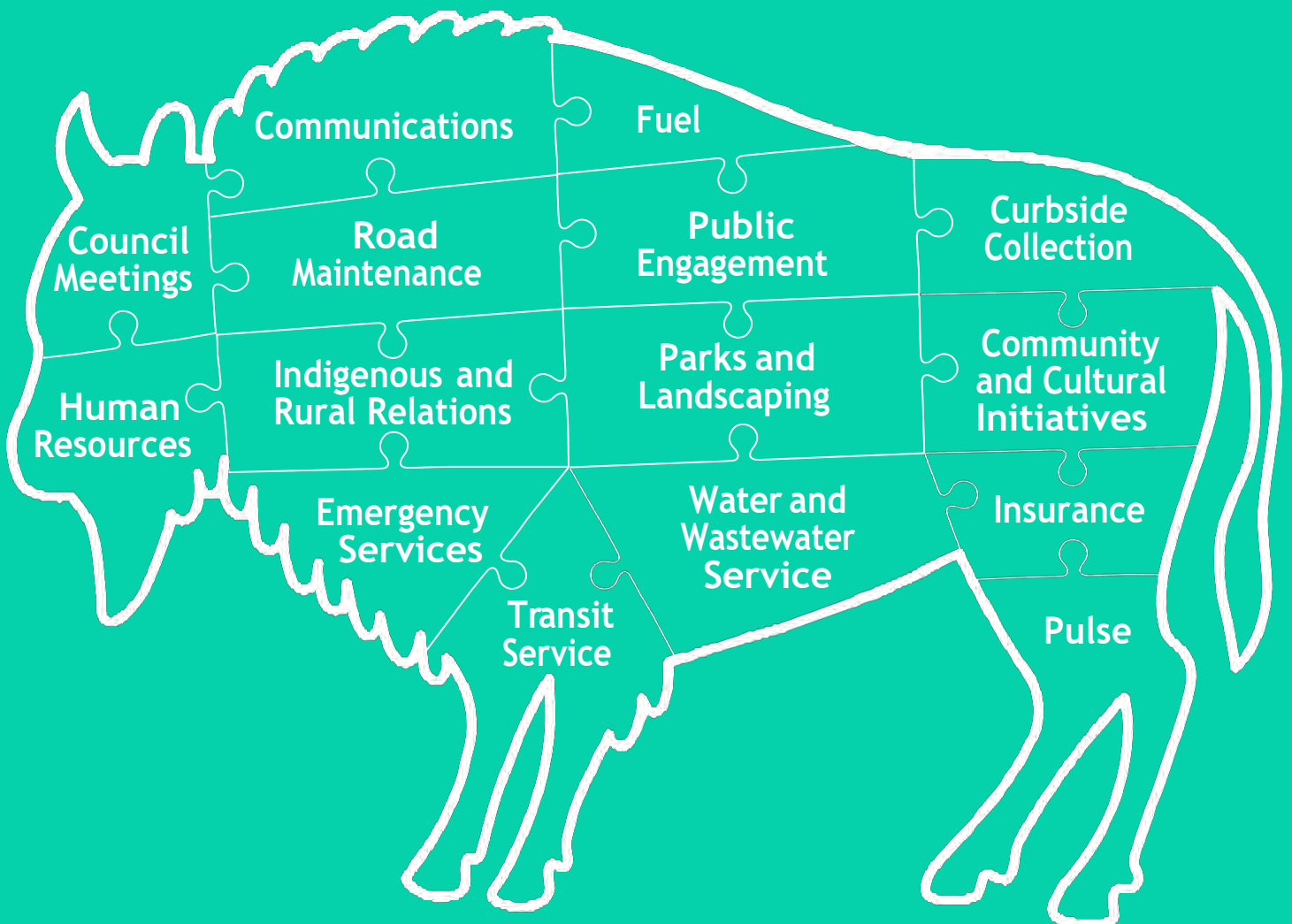
while the Capital Budget and plans focus on the long-term, and can cover a number of years, (or budget periods).

Let's take a closer look at these two categories and see some examples of the types of services and investments that fall under each.

Operating Budget

The Operating Budget covers those daily or monthly expenses that keep a municipality operating. This portion of the budget is used to ensure that business runs smoothly and that essential day-to-day services are provided to residents – everything from lights to customer service to curbside collection.

These expenses are typically less costly than items that would fall under the Capital Budget.

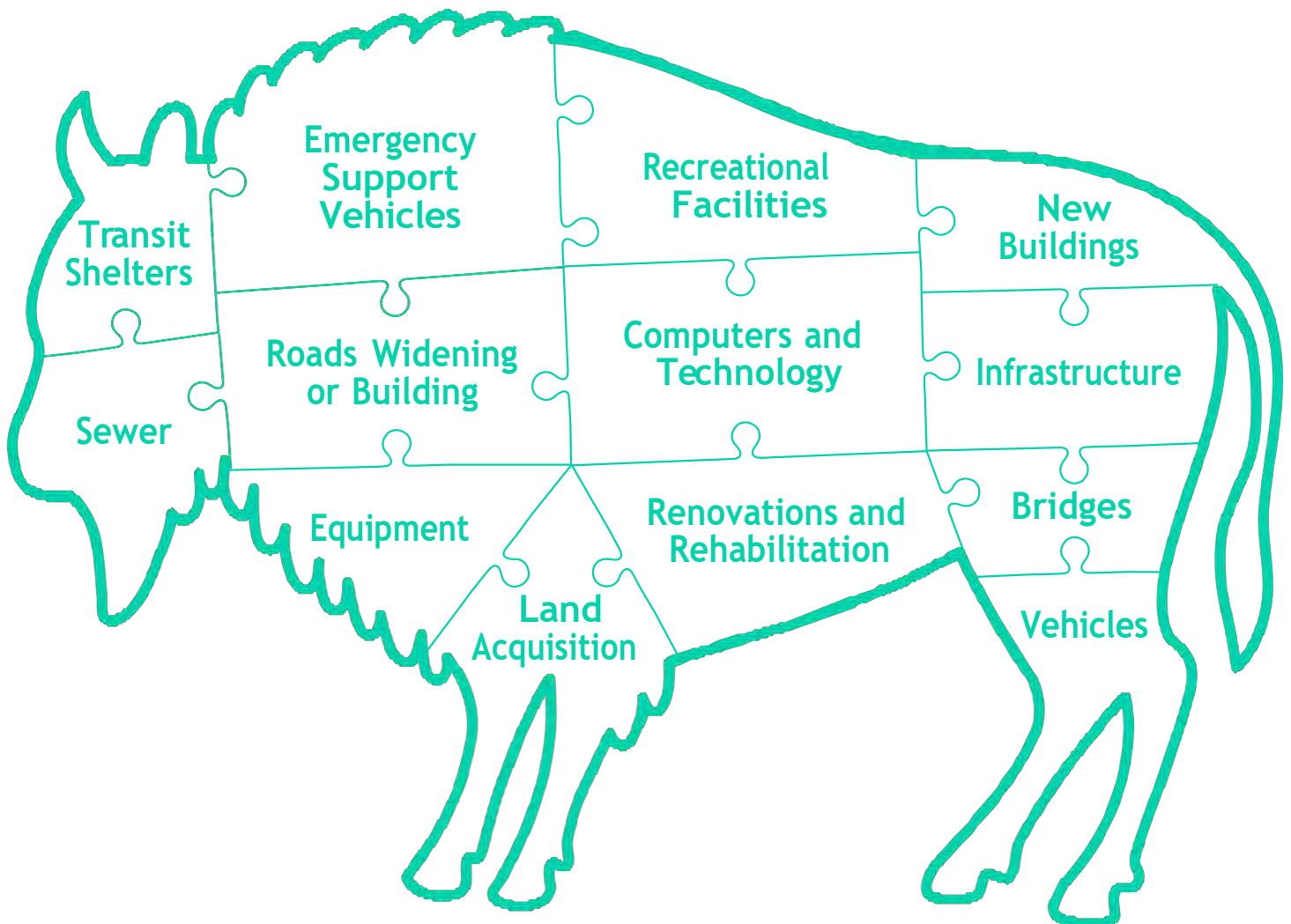


Capital Budget

The Capital Budget focuses more on long-term planning for investment, borrowing, and the ever-changing economic climate.

This portion of the budget is used for one-time purchases that are an investment for the future of our community, such as vehicles, equipment, land, buildings, and construction.

The Capital Budget is guided by Capital Plans that take into account the Strategic Plan, the Municipal Development Plan, and Council's vision for the continued development of a sustainable community.



An Outline of Revenue and Expenses

Now that we've broken down the Operating and Capital Budgets, let's look at where budget dollars come from, and how spending is decided to ensure the needs of our community are met.

When we hear about the development of a budget, it can be quite complicated with a number of technical and specialized terms. So let's take a straightforward look by simply defining the term budget.

Definition – A budget is an organization's itemized estimate of expected income (revenue) and expenses (expenditure) for a specific timeframe.

When planning the budget, the Municipality will make an estimate of the amount of money that will be generated (revenue), and how that money will be spent (expenditure) on public services and infrastructure over a calendar year.

Once these estimates are made and plans are set, a budget can be developed for Council's consideration based on the best interests of residents.

Balancing the Budget

The ultimate goal of Council and Administration is to achieve a balanced budget – where revenue equals expenses – while providing core infrastructure and services that support a healthy community now and into the future.

Administration must be very detailed as they develop a proposed budget that will cover the needs of the community with available resources, while also balancing priorities for the future and taking debt into account.

Council must review a significant amount of information and consider a number of priorities that impact residents across the region. This decision-making process takes time. Every year, residents are invited to follow Council as they debate priorities in a number of budget workshop sessions.

On page 2, you can find out more about how you can engage in this process or visit the municipal website at rmwb.ca/budget.

A Closer Look at Revenue and Expenses

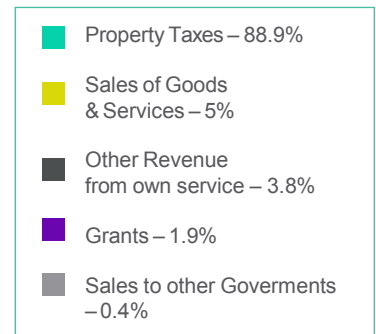
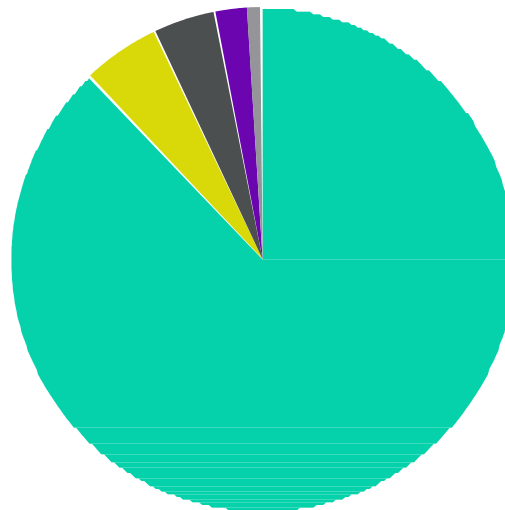
The following two charts are taken from the Municipality's 2017 Budget and provide an example of municipal revenue and expenses, as well as an idea of the percentage of funding generated or allocated to each area.

You can see a more detailed account of revenues and expenses by reviewing the budget

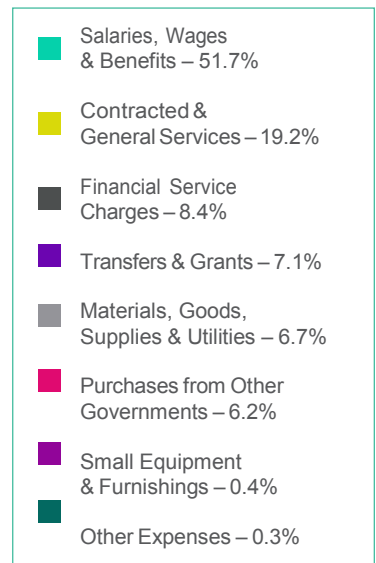
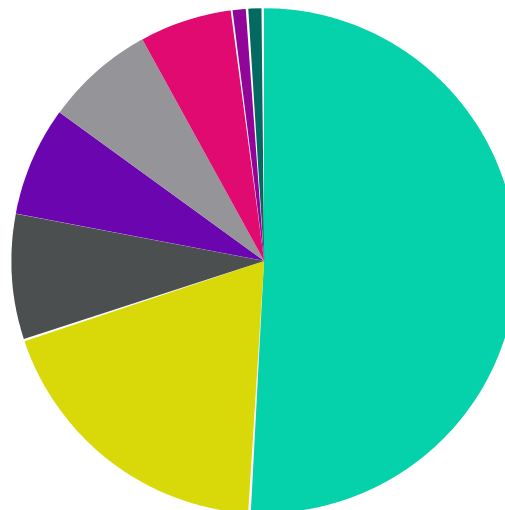
document adopted by Council. Once budget documents are adopted by Council, they are posted on the Municipality's budget web page at rmwb.ca/budget.

Council meeting agendas, presentations, and videos of the meetings can be found at rmwb.ca/council.

Example of Municipal Revenues



Example of Municipal Expenses



Asset Management

Asset management is a term you may hear often when Budget discussions are taking place. Simply put, asset management refers to how the Municipality plans to operate, maintain, upgrade and eventually get rid of infrastructure in the most cost-effective way possible.

Essential capital projects such as roads, bridges, buildings and underground infrastructure can cost millions of dollars and are vital to quality of life in the region. The Municipality needs a long-term plan to protect these investments while remaining fiscally responsible.

Taking care of assets today, helps avoid unexpected repairs, costs and temporary disruptions in service while extending the life span of some of the region's biggest investments.

A simple example of asset management is vehicle maintenance. Regular trips to the garage may cost you a little bit of money in the short-term but will help keep your car on the road and save you money in the long run.

While asset management is not as visible as new capital projects, it is an important part of the Budget process as it helps the municipality maximize the value of past investments and continue to provide the services residents rely on.

Debt - Regulation and Policy

The Municipal Government Act (MGA) gives authority to Municipalities in Alberta to incur (or get into) debt. The MGA also sets debt limits and provides instructions on the process of debt.

Debt levels and limits are also regulated through municipal policies adopted by Council. Our Council has set debt limits at 85% of the Alberta Debt Limit Regulation (AR) 255/2000. This means that Council will only authorize 85% of the debt level that is permitted by the Provincial Government.

More specific detail about municipal debt and debt management can be found in the budget documents adopted by Council, as well as the Municipality's Debt Management Policy (FIN-120).

Types of Municipal Debt

Some terms you may hear when the following budget process: Committed Debt, Actual Debt, and Undrawn Debt. When taking these terms into consideration, think of this simple equation:

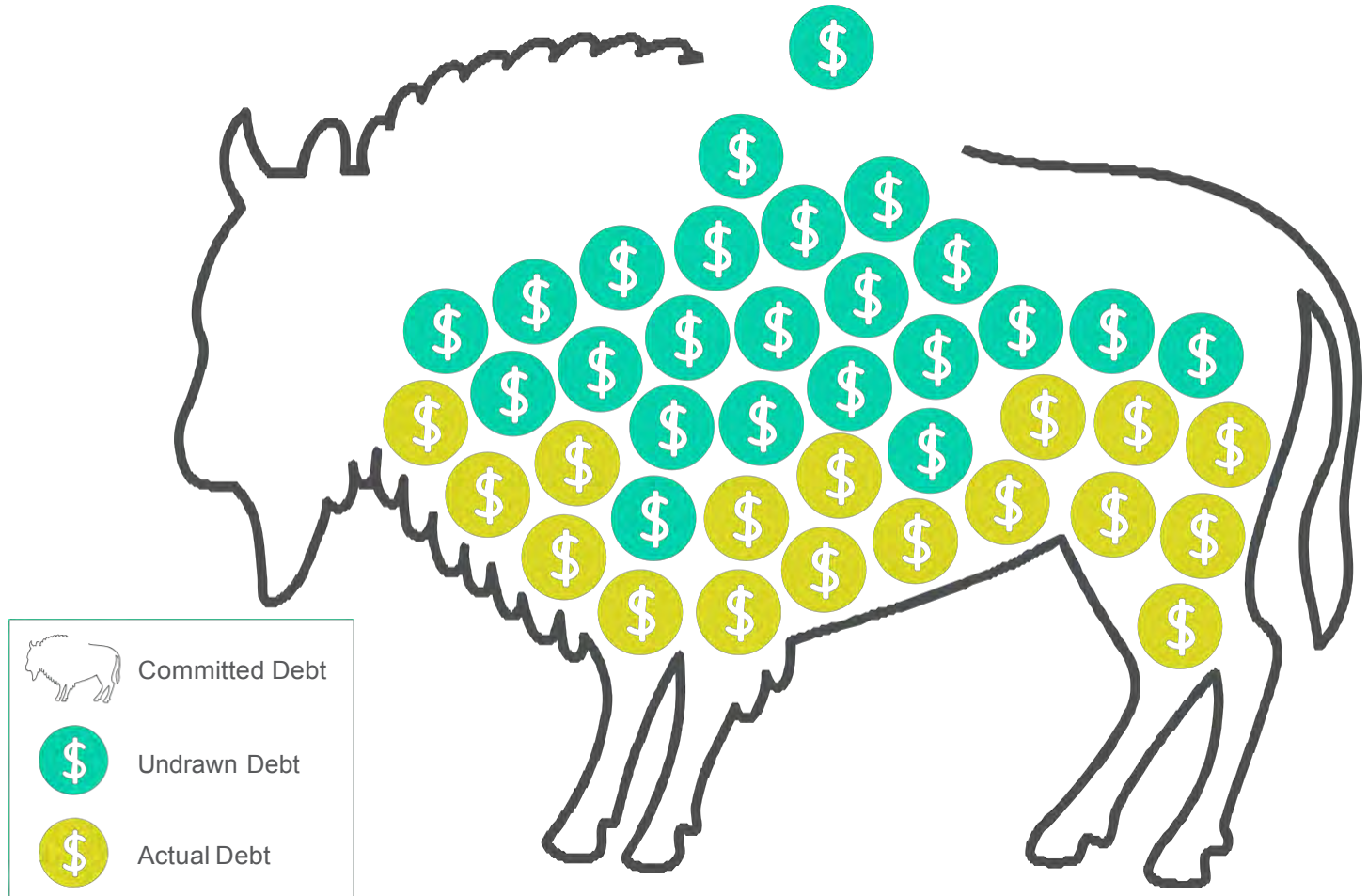
$$\text{Committed Debt} = \text{Actual Debt} + \text{Undrawn Debt}$$

In discussing levels of debt and debt service for the Municipality, an understanding of two terms is important: actual debt and committed debt.

Actual debt refers to amounts that the Municipality has borrowed and is paying debt service for. Committed debt is the total actual debt, plus the amount of debt that

Council has approved through the Capital Budget process but is still undrawn (or unused).

While this is a high-level overview, residents are encouraged to become more engaged by reviewing the budget document approved by Council each year to find out specific details and values.



Glossary of Terms

Accountability, Integrity

and Transparency – In early 2014, Council concluded that there was a need to complete an Accountability, Integrity and Transparency Audit to position the Municipality for current and future success. Through an open proposal process, Council engaged KPMG to conduct this audit. View the findings of the report, recommendations, and the final update at rmwb.ca/audit.

CAO Bylaw – The Chief Administrative Officer Bylaw (Bylaw No. 17/021) sets out the powers, duties and functions of a CAO as mandated by the Municipal Government Act.

Debenture – Municipalities often borrow money to help finance major capital projects such as sewer systems, roads or buildings. When a municipality borrows money, this is called a debenture and is used to obtain funds, much like a mortgage or loan.

Debt Service – When debt has been incurred through a loan, a debt service is the amount of money required to make payments on the principal and interest on the loan.

Grant Funding – The Municipality may receive grant funding from other levels of government (Government of Alberta or Federal Government). These grants may be unconditional or targeted to specific projects.

Interim Budget – This is a temporary financial document that covers a shorter period than a normal budget cycle of one year. This is typically used by governments that are in periods of transition in administrators or decision makers.

Municipal Government Act (MGA) – The Municipal Government Act is the provincial statute that creates and governs Alberta's municipalities, including the Regional Municipality of Wood Buffalo.

Municipal Development Plan (MDP) – The Municipal Development Plan is a long-term strategic plan for managing regional growth over the next 20 years in our region. The MDP sets the vision on how to accommodate this growth responsibly, and serves as an important decision-making tool for Mayor and Council, Administration, and stakeholders. Find out more about the MDP at rmwb.ca/mdp.

Strategic Plan – The Strategic Plan addresses the steps the Municipality will take to address the vision and the goals of our longer-term MDP. Each goal and strategy within the Strategic Plan aligns with one or more of the strategies from the MDP. Find out more about the Strategic Plan at rmwb.ca/strategicplan.

Surplus – A surplus occurs if actual revenues exceed actual expenses. Every year, a balanced budget is presented to Council for approval based on estimated revenues and estimated expenses.

Find out more about the budget at rmwb.ca/budget
View budget meetings and workshops at rmwb.ca/council

You can also contact us through Pulse at 780.743.7000



REGIONAL MUNICIPALITY
OF WOOD BUFFALO