

	CITY OF LACOMBE COUNCIL POLICY	
	ANNUAL BUDGET AND TAXATION PREPARATION	
	Policy Number:	13/210.03 2018PO
	Effective By:	Upon approval
	Rescinds:	13/210.03 (2012) Annual Budget and Taxation Preparation Policy
	Review Frequency:	Annually
	Responsible Department:	Finance Department
	Reference:	Equity and reserves policy #13/201.01 (2012) Debt Management #13/201.02 (2012) Sec 241 to 248, Sec 353 to 370 – Municipal Government Act

Purpose of the Policy

To establish principles for the preparation of annual budgets, business plans, and property taxation levies. In some cases these principles will stand alone, while in others the principles are excerpts from separate policies established by Council.

Policy Statement

The adoption of the City's business plans, budgets, and tax rate bylaws are among the most critical functions undertaken by Council.

Budgets and business plans shall be developed in a consistent and planned manner, and budgets shall take into consideration the impacts on future years and the City's ability to fund those impacts.

Municipal and utility operating budgets shall be prepared for a three year period. Approval is required for 1st year and years 2 and 3 will be presented for council's information. The City will strive to maintain an appropriate transfer to capital reserves in the operating budget to support the 10-year capital plan.

City utility expenditures will be funded entirely from reserves and self-supporting utility rates.

The City shall maintain a fair, transparent, and competitive system of municipal property taxation, while collecting the revenue necessary to meet municipal program and service funding obligations.

Definitions & Abbreviations

- Alberta Consumer Price Index (ACPI)
 - Is an indicator of changes in consumer prices experienced and is obtain by comparing, over time, the cost of a fixed basket of goods and services purchased by consumers.
- CAO
 - The City of Lacombe's Chief Administrative Officer

Responsibilities

City Council

- To approve the annual budget and taxation policy
- Consider and approve amendments thereto

Chief Administrative Officer

- To ensure budget preparation is developed in a consistent manner according to this policy
- Bring forward considerations and recommendations to Council for changes

Managers/supervisors

- Develop business plans and budgets according to this policy

General Provisions

1. General

- a. The approved operating budget shall serve as the financial plan for the City and as the policy document of City Council for implementing Council's goals and objectives outlined in Council's strategic plan. The approved operating budget shall provide Administration with the direction and resources necessary to accomplish Council-determined service levels. Budgets will support Department based business plans.
- b. Departmental Business Plans shall:
 - i. be comprised of operating and capital projects and programs, which are consistent with Council's approved strategic plan;
 - ii. 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; and
 - iii. identify all costs associated with operating new equipment or facilities where capital projects are being recommended and identify the funding sources available, including but not limited staffing.
- c. The need for programs and service levels will be the major considerations in determining tax rates; however, local taxing efforts of other municipalities will also be taken into consideration.
- d. Council will seek input from the public and Administration during budget preparation and throughout the year. Public input will include public participation during budget open houses.
- e. The municipal tax rates will be set by Council annually through the Property Tax Bylaw.

2. Multi-Year Planning

Multi-year planning will enhance and improve the budget process by reinforcing the commitment to long-term fiscal health by looking beyond a one-year horizon. This multi-year view will provide citizens, businesses and agencies with longer-term information regarding the City's planned programs. The primary multi-year planning documents will be Council's strategic plan and departments' 3 year business plans.

3. Capital Funding

- a. The capital funding is a base funding amount within the operating budget that supports the 10- year capital plan. Capital contributions shall be carried out through:
 - i. annual transfers to reserves in accordance with the 10 year capital plan;

- b. A change in costs related to debt servicing shall result in a change to the other components of the capital funding for the 10 year capital plan.

4. Balanced Budget

- a. The City shall adopt a balanced budget where operating revenues are equal to operating expenditures for each year.
- b. The City shall use the July 1st Alberta Consumer Price index as the targeted property tax increase.
- c. No department manager shall intentionally budget in a way that a surplus will be created when developing a budget.
- d. The following rules are proposed to govern year end operating surpluses:
 - i. Any utility funded surplus will be directed back to the corresponding Utility Reserve
 - ii. Lacombe Police Service surplus will be applied to the Police Operating Reserve
 - iii. Surplus from wages and benefits will be applied to the General Operating Reserve
 - iv. A surplus arising from any other department will be applied to:
 - a. Reserves, for use in maintaining reserve levels set by Council policy, or
 - b. A one time expenditure

5. One-time Revenues

- a. Major one-time revenues will be applied to:
 - i. reserves for use in maintaining reserve levels set by Council policy; or ii. one-time expenditures
- b. Operating surpluses and one-time revenues will not be used to fund ongoing expenditures, as this result in annual expenditure obligations, which may be unfunded in future years.

6. Use of Unpredictable Revenues

Unpredictable revenue sources will not be relied upon to directly fund expenditures until the revenue has been received.

7. Revenue Diversification

- a. The City may 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.
 - i. The City's utility departments will follow a full cost cash recovery rate model.
 - ii. Other departments shall follow a cost recovery model as established by Council.
- c. 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.

8. New Programs and Changes in Service Levels

- a. The operating budget will be developed based on the principle to sustain current programs and level of services. Recommendations for new programs and/or service level adjustments (increase or decrease) will be presented in separate business cases during the annual budget process.
- b. 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.

9. Funding to Outside Agencies

Agencies requesting funding from the City of Lacombe shall submit annual business plan and budget no later than November 1st of each year.

10. Annual Budget Adjustments

- a. Any changes to estimates of revenues or expenditures shall be presented to Council prior to the adoption to the annual tax rate bylaw,
- b. Emergency expenditures items such as facility or infrastructure repairs shall be considered by Council on a case by case basis and as determined by the CAO.
- c. Subject to the approval of the CAO, managers have the authority to vary individual expense items within their department budget up to \$25,000. Variations in individual expense items must not result in an overall change to the department budget or affect service levels, unless approved by Council.

11. Reserves

- a. The City will maintain appropriate Reserves as determined by Council through its reserve policy and planning.
- b. The Budget will allocate an appropriate level of funds to Reserves in order to maintain services throughout economic cycles:
 - i. to ensure against unforeseen costs and revenue reductions;
 - ii. to provide bridge financing for capital; and/or
 - iii. to allow the City to take advantage of grants and/or market opportunities.
- c. In addition to its capital reserve funds, the City may establish reserves:
 - i. to fund large, long-term liabilities; and/or
 - ii. to fund multiple year special projects.
- d. 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.
- e. The City will maintain Capital Reserves in order to ensure a current and sufficient asset base to support City programs and services. Contributions to these reserves will be based on the 10 year rolling average for capital investment.

12. Infrastructure

- a. The City will endeavor to preserve and renew its infrastructure, as a priority over developing new infrastructure.
- b. 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.
- c. Departmental 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.
- d. The City shall prepare 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.

13. Staffing

- a. In general, unless unusual circumstances warrant, additional staffing requests included in Budget development will be based on a start date of April 1. Initial budgets for new positions will be based on the midpoint step on the salary grid.
- b. Managers will develop business cases for any new staff request in accordance with the Administrative Directive.
- c. In addition to direct staffing costs, business cases for new positions will also include equipment costs (e.g. vehicle, office equipment, computers, cell phones, etc). required by the position.

14. Revenue Estimates

Operating revenue projections will be based on actual historic trends, approved service levels, and supplemented with additional knowledge future expectation

15. Original Scope of Capital Projects

- a. At times, throughout the budget period, opportunities arise to change the original scope of a project due to:
 - i. lower tender results from budget;
 - ii. additional funding from unexpected revenues such as grants or contributions from agencies.
- b. The original scope of an approved project shall only be changed with formal approval from Council.

16. Revenue Neutrality

The City's overall municipal tax revenues shall not increase automatically with market assessment increases in an effort to protect ratepayers from dramatic shifts in property taxation due to annual market value assessment changes. The general municipal tax rate for the municipality shall be adjusted to ensure revenue neutrality. Increases to general tax revenue shall be limited to new development and construction and tax rate increases approved by Council.

17. Tax Burden and Multiple Tax Rates

- a. If non-residential assessment growth (i.e. new construction) exceeds residential assessment growth in a year, the CAO shall adjust the percentage of the City's revenue requirement assigned to the residential and non-residential assessment classes (the tax burden) to ensure that tax rate percentage increases for each assessment class are generally equivalent.
- b. If residential assessment growth exceeds non-residential assessment growth, the CAO shall recommend a separate tax rate for residential and non-residential property classes. The targeted tax rate for non-residential properties is equivalent to 120% of the residential tax rate, though this target may fluctuate from year to year. These separate tax rates may result in a different tax increase percentage for each property class.
- c. The percentage of the City's revenue requirement assigned to the non-residential assessment class shall not decrease over time in relation to the percentage of the City's revenue requirement assigned to the residential assessment class.

18. Policy Review

This policy shall be reviewed annually by Administration. Any changes shall be recommended to Council for approval.

Original Signed

Mayor

September 24, 2018

Approval Date
(MMMM/DD/YYYY)

Original Signed

Chief Administrative Officer

September 24, 2018

Approval Date
(MMMM/DD/YYYY)