



ANNUAL BUDGET AND TAXATION PREPARATION

Policy Number:	13/210.03 2024PO
Policy Review:	Annually or upon Legislative Change
Policy Owner (Dept.):	Finance Department
Reference(s):	Financial Reserves Policy Debt Management Fiscal Policy Local Improvement Tax Policy Property Tax Bylaw Sec 241 to 248, Sec 353 to 370 – Municipal Government Act

1. PURPOSE OF POLICY

- 1.1. To establish principles for the preparation of annual budgets, 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.

2. POLICY STATEMENT

- 2.1. The adoption of the City's budgets, and tax rate bylaws are among the most critical functions undertaken by Council.
- 2.2. Budgets 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.
- 2.3. Municipal and Utility operating budgets shall be prepared for a three-year period. Council approval is required for the first year and the second and third year will be presented for Council's information.
- 2.4. The City will strive to maintain an appropriate transfer to capital reserves in the operating budget to support the 10-year capital plan.
- 2.5. City utility expenditures will be funded entirely from reserves and self-supporting utility rates.
- 2.6. 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.

3. APPLICABILITY

- 3.1. This Policy applies to the City of Lacombe Council, Administration, and Internal and External Agencies.
- 3.2. This Policy comes into effect upon approval of Council.

4. DEFINITIONS AND ABBREVIATIONS

- 4.1. **Agency** – A community group, committee, board, or commission that may be formed and amendable by the City through Administrative or Council action (Internal), or that may be an independently formed and operated community group, committee, board, or commission resourced but not amendable by the City (External).
- 4.2. **Alberta Consumer Price Index (ACPI)** – is an indicator of changes in consumer prices experienced and is obtained by comparing, over time, the cost of a fixed basket of goods and services purchased by consumers.
- 4.3. **CAO** – the City of Lacombe Chief Administrative Officer.

5. ROLES AND RESPONSIBILITIES

5.1. City Council

- 5.1.1. Approve this Policy.
- 5.1.2. Consider and approve amendments to this Policy.

5.2. Chief Administrative Officer

- 5.2.1. Ensure staff compliance with this Policy.
- 5.2.2. Ensure budgets are developed in a consistent manner according to this Policy.
- 5.2.3. Bring forward considerations and recommendations to Council for changes to this Policy.

5.3. Internal and External Agencies

- 5.3.1. Submit all Community Grant Funding requests according to the terms of this Policy and the Community Grant Fund Application.

6. POLICY DETAILS

6.1. General

- 6.1.1. 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 and Administration's departmental budgets.
- 6.1.2. The need for programs and service levels will be the major consideration in determining tax rates; however, local property tax of other municipalities will also be taken into consideration.

6.1.3. Council will seek input from the public and Administration during budget preparation and throughout the year. Public input will be received through budget discussions with the public during the Lacombe Trade Show, Lacombe Farmer's Market, and Coffee with Council sessions.

6.1.4. Long-term liabilities will be reviewed by Council annually.

6.1.5. The municipal tax rates will be set by Council annually through the Property Tax Bylaw.

6.2. Multi-Year Planning

6.2.1. Multi-year planning enhances 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.

6.2.2. The primary multi-year planning document will be Council's Strategic Plan.

6.3. Capital Funding

6.3.1. 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:

6.3.1.1 Annual transfers to reserves in accordance with the 10-year capital plan;

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

6.4. Balanced Budget

6.4.1. The City shall adopt a balanced budget where operating revenues are equal to operating expenditures for each year.

6.4.2. The City shall use the average of the Alberta CPI increases for the 12 months from July 1st to June 30th as the targeted property tax increase.

6.4.3. The following rules are proposed to govern year-end operating surpluses:

6.4.3.1. Any utility-funded surplus will be directed back to the corresponding Utility Reserve.

6.4.3.2. Lacombe Police Service surplus will be applied to the Police Operating Reserve.

6.4.3.3. Any surplus from wages and benefits will be applied to the General Operating Reserve.

6.4.3.4. A surplus arising from any other department will be applied to:

- Reserves, for use in maintaining reserve levels set by Council policy, or
- A one-time expenditure.

6.5. One-time Revenues

6.5.1. Major one-time revenues will be applied to:

6.5.1.1 Reserves for use in maintaining reserve levels set by Council policy; or

6.5.1.2 One-time expenditures.

6.5.2. Operating surpluses and one-time revenues will not be used to fund ongoing expenditures, as this may result in annual expenditure obligations being unfunded in future years.

6.6. Use of Unpredictable Revenues

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

6.7. Revenue Diversification

6.7.1. The City may charge fees for services where it is applicable and cost-effective to do so.

6.7.2. The City will strive for full cost recovery where it is applicable and cost-effective to do so.

6.7.2.1. The City's utility departments will follow a full cost recovery rate model.

6.7.2.2. Other departments shall follow a cost recovery model as established by Council.

6.7.3. The City will continuously seek new and diverse revenues to limit the dependence on one or only a few revenue sources, and to maintain needed service levels.

6.8. New Programs and Changes in Service Levels

6.8.1. The operating budget will be developed on the principle of sustaining current programs and levels of services. Recommendations for new programs and/or service level adjustments (increase or decrease) will be presented during the annual budget process.

6.8.2. 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.

6.9. Funding to Outside Agencies

6.9.1. Requests for Community Grant Funding by an Agency shall be included in the budgeting process and shall:

6.9.1.1. be submitted to the City via the Community Grant Funding Application no later than the application deadline of August 31.

6.9.1.2. Any request for an extension of the application deadline may be submitted in writing to the CAO and may be allowed at the discretion of the CAO.

- 6.9.1.3. provide a business case for the funding and include an indication of financial need supported by financial statements.
- 6.9.1.4. be presented to Council by the requesting Agency in October and shall include, if applicable, an annual report to the City of the past year's program outcomes, including a financial account of the funds expended.
- 6.9.2. Community Grant Funding expense shall be budgeted to include targeted increases for each returning Agency. Any requests above and beyond that increase shall be summarized in a table and presented for Council review by Administration.
 - 6.9.2.1. Community Grant Funds are confirmed once Council approves the final operating budget and shall be disbursed within the new fiscal year.

6.10. Annual Budget Adjustments

- 6.10.1. Any changes to estimates of revenues or expenditures shall be presented to Council prior to the adoption of the annual Property Tax Bylaw.
- 6.10.2. Emergency expenditure items, such as facility or infrastructure repairs, shall be considered by Council on a case-by-case basis and as determined by the CAO.
- 6.10.3. The CAO may approve variations to individual expense items. Variations in individual expense items must not result in an overall change to the budget or affect service levels, unless approved by Council.

6.11. Reserves

- 6.11.1. Use of reserves is planned and is not considered an alternate funding source in place of good financial practice.
- 6.11.2. The City will establish and maintain appropriate reserves as determined by Council through its Financial Reserves Policy and planning.
- 6.11.3. The budget will allocate an appropriate level of funds to reserves in order to maintain services throughout economic cycles:
 - 6.11.2.1 to ensure against unforeseen costs and revenue reductions;
 - 6.11.2.2 to provide bridge financing for capital; and/or
 - 6.11.2.3 to allow the City to take advantage of grants and/or market opportunities.
- 6.11.4. 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.
- 6.11.5. In addition to its capital reserve funds, the City may establish reserves:
 - 6.11.4.1 to fund large, long-term liabilities; and/or

6.11.4.2 to fund multiple-year special projects.

6.12. Infrastructure

- 6.12.1. The City will endeavour to preserve and renew its infrastructure as a priority over developing new infrastructure.
- 6.12.2. 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.
- 6.12.3. The CAO will ensure that departmental budgets provide an appropriate proportion of the cost of new development related to capital infrastructure, as determined by Council Policy, and be financed by development charges.
- 6.12.4. 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 fund the new facility, the project will not proceed.

6.13. Revenue Estimates

- 6.13.1. Projected operating revenues will be based on approved service levels, historical trends, and will be supplemented with additional knowledge of future expectations.

6.14. Original Scope of Capital Projects

- 6.14.1. Throughout the budget period, opportunities may arise to change the original scope of a project due to:
 - 6.14.1.1 Lower tender results from the budget;
 - 6.14.1.2 Additional funding from unexpected revenues such as grants or contributions from agencies.
- 6.14.2. The original scope of an approved project shall only be changed with formal approval from Council.

6.15. Revenue Neutrality

- 6.15.1. In an effort to protect ratepayers from dramatic shifts in property taxation due to annual market value assessment changes, the City's overall municipal tax revenues shall not automatically increase with market value assessment increases. The general municipal tax rate for the City 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.

6.16. Tax Burden and Multiple Tax Rates

COUNCIL POLICY



- 6.16.1. 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.

- 6.16.2. 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.

- 6.16.3. 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.

7. END OF POLICY

Original Signed
Signature of Mayor

Original Signed
Signature of CAO

Approved by Council October 15, 2024
Date

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POLICY RECORD

Approval and Amendment History

Date of Council Meeting	Council Motion Number	Description
September 24, 2018	18-323	Adoption of Policy
October 15, 2024	24-347	Adoption of Policy

Review History

Date of Policy Owner’s Review	Description/Action Taken or Required
October 2024	Review and recommended changes to policy contents; replaces policy 13/210.03 2018PO-Annual Budget and Taxation Preparation