



City of Moose Jaw

Letter of Communication EC-2019-0059

TITLE: Budgeting Policy

TO: Executive Committee

FROM: Department of Financial Services

DATE: June 4, 2019

PUBLIC: Public Document

RECOMMENDATION

THAT City Council approve the City of Moose Jaw Budgeting Policy substantially in the form attached to this report as attachment #1; and

THAT the City of Moose Jaw Budgeting Policy be inserted as Schedule "E" – Budgeting Policy in the City Administration Bylaw and brought back for City Council approval.

TOPIC AND PURPOSE

The purpose of this report is to provide City Council with a policy statement which outlines and guides the annual budget process for the Operating, Capital and Equipment Budgets.

BACKGROUND

The City of Moose Jaw annually prepares three budgets. Those budgets include an Operating Budget, a Capital Budget and an Equipment Budget. The budget process has typically started in early September with budgets delivered to Council by the end of December. The exception to that process has been the Equipment Budget which has often been prepared prior to the other two budgets and subsequently approved before the other budgets.

The deliberation process with City Council then gets underway in January with budget approvals ranging anywhere from February through April of the budget year. Over the years the process has been tweaked and changed to suit the needs of Council each year.

The Cities Act provides some guidance on the requirements of the annual Operating and Capital Budgets:

Adoption of Budgets

128(1) A council shall adopt an operating and a capital budget for each financial year.

(2) No council shall pass a property tax bylaw with respect to a financial year unless it has adopted the operating and capital budgets for that year.

Contents of operating budget

129(1) A city's operating budget is required to include the estimated amount of each of the following expenditures and transfers by the council for a financial year:

- (a) the amount needed to provide for the operations of the city;
- (b) the amount needed to pay all debt obligations with respect to borrowings by the city;
- (c) the amount needed to meet the sums that the city is required, by statute, to raise by levying taxes or other amounts that the city is required to pay;
- (d) if necessary, the amount needed to provide for a depreciation or depletion allowance, or both, for the city's public utilities;
- (e) the amount to be transferred to reserves;
- (f) the amount to be transferred to the capital budget;
- (g) if the total actual revenues and transfers of the city in the previous financial year are less than the total actual expenditures and transfers of the city for that same year, the amount needed to recover the unfunded portion of that deficit.

(2) A council's operating budget is required to include the estimated amount of each of the following sources of revenue and transfers for a financial year:

- (a) taxes;
- (b) grants;
- (c) transfers from the city's accumulated surplus funds or reserves;
- (d) any other source.

(3) The estimated revenue and transfers described in subsection (2) must be at least sufficient to pay the estimated expenditures and transfers described in subsection (1).

Contents of capital budgets

130 A capital budget is required to include the estimated amount of each of the following for a financial year:

- (a) the amount needed to acquire, construct, remove or improve capital property;
- (b) the anticipated sources and amounts of money to pay the costs described in clause (a).

Expenditure of money

131(1) A city may only make an expenditure that is:

- (a) included in an operating or capital budget or otherwise authorized by its council;
- (b) for an emergency; or
- (c) legally required to be paid.

(2) A council shall establish procedures to authorize and verify expenditures that are not included in a budget.

City Council, at the March 18, 2019 and April 15, 2019 Strategic Directions Planning Committee meetings, discussed in some detail the City's budgeting process and refinements to that process that it would like to see adopted.

The Overall Budget Process

Administration's review of the budget process and the input from Council has resulted in the following framework for the budget process:

- The key premise of the budget process is that Administration is being tasked with bringing forward a budget that meets the economic realities and presents the best plan for the use of limited resources.
- The actual process involves a number of steps:
 1. Each fall an update of the Strategic Plan looking ahead to the next budget cycle. (ie: in fall of 2020 they will be looking forward to 2021.)
 2. May/June each year, a Planning Session with Council to discuss budget challenges, economic factors, specific operating and capital issues and to get Council's input on priorities they would like to see in the budget. Budget development by Administration starts around this time as well.
 3. Over the summer, a pre-budget online budget survey is developed to provide citizens with the opportunity for public input.

4. Complete a public Preliminary Budget Review and Economic Update communication to Executive Committee. This is a public document which is usually transmitted to Executive Committee in August and provides the citizens with an update on economic factors and pressures facing the City in the upcoming budget.
5. In early October, another Planning Session with Council where a preview of the budget and feedback is received from Council so any final changes can be made.
6. Administration releases the budget publicly and it is placed on the City website and advertising directs members of public to review and provide feedback. (Council is provided with a copy prior to release so they are aware of contents and better able to address citizens' concerns.)
7. About three weeks after budget release, the budget is transmitted to City Council who usually spend two sessions deliberating on the transmittal communication and the suggested motions. The budget is anticipated to be approved before December 20 of the previous year.

The Detailed Budget Document

The detailed budget document provides information on the Operating and Capital Plan and is still quite summarized at about 125 pages in length. The detailed budget is broken into the following sections:

- Introduction (1 to 2 pages)
- Influencing Factors (3 pages)
- 2020 General Operating Budget (6 pages)
 - Revenue (6 pages)
 - Expenses (40 pages)
 - Reserves & Debt (2 pages)
- Capital (would be the equivalent of our General Capital Reserve Budget) (35 pages)
- 2020 Utility Budget (3 pages)
 - Revenue (3 pages)
 - Expenses (5 pages)
 - Debt (1 page)
- Capital (20 pages)

The pages in brackets are an estimate of the number of pages if the City of Moose Jaw followed similar format. The total would be reduced from the current 494 pages to about 125 pages.

The Operating Budget portion would contain a summarized Business Plan or Departmental Report and a Financial Summary. Total length for each Department would be 2 to 3 pages. The Departmental Report would provide an Overview of the Department, Work Plan Highlights, Financial Summary and Future Goals sections. This would be very similar to the Executive Summary introduced in 2019.

The Capital section of the detailed budget contains a brief overview of Capital and then a summary of each Capital Project.

There would be a Capital Project Detail Sheet for each major capital area such as TR-1, TR-2, etc. This sheet provides summarized information on Capital Budget requests replacing the current communication and Capital Project sheet for each component of Capital. The transition to a summarized presentation of Capital will significantly reduce the size of the budget presentation.

DISCUSSION

The proposed Budgeting Policy has been developed in a seven (7) section format. The following is a brief overview of each section:

Section 1: Purpose & Objective

This section provides the purpose of the budgeting policy which is to establish the parameters for the annual preparation of the Operating, Capital and Equipment Budgets. This framework is put in place to ensure that it allows for the efficient creation of annual budgets while meeting a timetable that allows for the budgets to be approved prior to the start of the fiscal year.

Section 2: Definitions

A number of terms utilized in the Budgeting Policy are defined so as to provide clarity in further sections of the policy.

Section 3: Guiding Principles of Budgeting

This section contains the nine guiding principles of budgeting at the City of Moose Jaw. These principles were developed by the City Manager and shared with City Council during the 2019 budget deliberations.

The key principles are:

- The City will live within our means.
- Only budget for what can be completed in a year.
- Infrastructure that increases productivity, efficiency and effectiveness should be favoured when investing infrastructure dollars.
- The City can borrow from reserves where it makes sense, ie: water meter replacement program, and payback the borrowing over 7 to 10 years with interest at institutional investing rates.
- The City should focus on completing one major study at a time.
- Innovation and effective use of funds is a priority.

- Reduce the reliance on outside expertise where possible.
- Centralize functions and refine core services.
- City Administration will carefully scrutinize every budget item prior to submission to City Council.

Section 4: Budgeting Framework

The overall budgeting process has been broken down into an overall framework; key components of the framework are:

- Each fall an update of the Strategic Plan looking ahead to the next budget cycle will occur.
- In May/June of each year, a Planning Session with Council to discuss budget challenges, economic factors, specific operating and capital issues and to get Council's input on priorities they would like to see in the budget. Budget development by Administration starts around this time as well.
- Over the summer, a pre-budget online budget survey to provide citizens with the opportunity for public input prior to the budget being fully developed.
- A public Preliminary Budget Review and Economic Update communication to Executive Committee. This is a public document which will usually be transmitted to Executive Committee in August and provides the citizens with an update on economic factors and pressures facing the City in the upcoming budget.
- In early October, a Planning Session with Council where a preview of the budget and feedback is received from Council so any final adjustments can be made.
- Administration releases the budget publicly and it is placed on the City website and advertising directs members of public to review and provide feedback.
- Approximately three weeks after budget release, the budget is transmitted to City Council who will spend approximately two sessions deliberating on the transmittal communication and the suggested motions.
- The budget is approved by December 20 of the previous year.

Section 5: Budget Roles and Responsibilities

This section outlines the roles and responsibilities of the key personnel involved in the budgeting process.

City Council is responsible for establishing priorities and overall direction, approving the level of public communication related to the budget and review, amendment and approval of the budgets.

The City Manager is responsible for the preparation and presentation of the Operating, Capital and Equipment Budgets, review and revision of budget submissions so as to align with strategic and operational goals and to exercise financial control over all corporate operations.

The Senior Management Team is responsible for the development of the budget submissions in accordance with the established guidelines and to ensure all resources and assets under their control are effectively managed.

The Director of Financial Services is responsible for leading and coordinating the overall preparation and administration of the budget processes and ensuring adherence to budget and financial policies approved by City Council.

Section 6: Budget Monitoring

This section outlines the key activities to be undertaken to ensure that actual results are monitored to budget and if necessary, corrective actions are taken to keep actual revenues and expenditures in line with those budgeted. These activities include:

- Monthly revenue and expenditure reporting distributed to City Manager, Directors and Managers.
- The City Comptroller will provide a monthly analysis of variances to budget and distribute to City Manager, Directors and Managers.
- City Council will be provided with a quarterly Financial Report along with analysis.
- Budget overages will require approval of the City Manager and/or City Council.

Section 7: Statutes

Budget development will comply with the provisions of *The Cities Act* as detailed in the background to this report.

OPTIONS TO RECOMMENDATION

City Council to provide alternative direction.

PUBLIC AND/OR STAKEHOLDER INVOLVEMENT

The proposed Budgeting Policy provides for public input into the budget process both through an online survey and the opportunity to appear before Council with any concerns or input the public may have in respect to the budget.

COMMUNICATION PLAN

The Budgets will be communicated to the community through an online budget survey as well as through the City's website, social media and media sources. Input and feedback from the community will also be encouraged as part of this process. The budget will be presented publicly by City Administration to allow for public input prior to being transmitted to City Council.

STRATEGIC PLAN

A key component of the annual budgeting process will be for City Council to annually revisit the Strategic Plan looking to revise and amend based upon future priorities.

BYLAW OR POLICY IMPLICATIONS

Approval of the Budgeting Policy by City Council will see that policy come back as part of the City Administration Bylaw as Schedule E to the bylaw.

FINANCIAL IMPLICATIONS

The proposed policy has no direct financial implications; however, the development of a Budgeting Policy will provide the framework for the annual budget preparations and deliberations by City Council. One of the key framework items is the goal of having the budget in place prior to the start of a fiscal year. This will allow for the monitoring of actual performance to budget from the beginning of the fiscal year allowing for more opportunity to correct deviations from budget.

PRESENTATION

VERBAL: The Director of Financial Services will be available for questions.

ATTACHMENTS

1. City of Moose Jaw proposed Budgeting Policy.

REPORT APPROVAL

Written by: Brian Acker, Director of Financial Services

Approved by: Tracy Wittke, Assistant City Clerk

Approved by: Jim Puffalt, City Manager

Approved by: Fraser Tolmie, Mayor

To be completed by the Clerk's Department only.

Presented to Regular Council or Executive Committee on _____.

No. _____ Resolution No. _____