

City of Melfort Policy Manual

<i>POLICY TITLE:</i> Budget Policy	<i>POLICY NUMBER:</i> 1.48	<i>EFFECTIVE DATE:</i> December 10, 2007
<i>ORIGIN:</i> Finance Department	<i>ADOPTED BY COUNCIL ON:</i> December 10, 2007	<i>DATE AMENDED:</i> April 12, 2010

1. PURPOSE

The purpose of this policy is to provide a framework for the budget process. A well developed budget process helps decision makers make informed choices about the provision of services, programs and capital assets as well as providing accountability for the proper and prudent management of public funds.

2. POLICY

- 2.1 The City of Melfort employs zero-based budgeting. This is the process of preparing a budget that starts with no authorized funds. Each service/program activity to be funded must be justified in each fiscal year.
- 2.2 A key component of the budget process is the development of general guidelines and assumptions. The guidelines will acknowledge and be responsive to our financial limitations, clarify the City's objectives, outline new program initiatives and reflect the overall priorities of City Council.
- 2.3 The budget document shall include an operating budget for each fund, capital budget for five years, including reserve utilization. These documents are summaries of more detailed support documents.
- 2.4 This policy is to be reviewed on an annual basis.

3. BUDGET PRACTICES

- 3.1 A preliminary budget document is to be prepared for City Council by December 31 of the previous year. Final budget approval is required by April 30.
- 3.2 New budget requests are to be incorporated into the preliminary budget documents. An external organization's request should be made to the whole

of council. When a new budget request is made it must be supported by a report that thoroughly describes the impact on the operating budget, number of additional positions required, tax or fee implications and other financial or service impacts.

- 3.3 Annually service levels are reviewed. Departments must be sufficiently knowledgeable of the relationship between program service levels and program expenditures to be able to assess the impact of expenditure adjustments that may be imposed by City Council.
- 3.4 The general capital budget includes pre-approved Council programs (i.e. essential sidewalk and paving priorities), significant maintenance and equipment replacement. The general capital program is funded by reserve interest earnings (see Reserve Policy 1.46). To allow for flexibility, the general capital program revenue and expenditures do not have to be balanced annually. Instead, the general capital budget must be balanced at the end of the five year budget cycle, with the initial cycle commencing in 2008 and ending in 2012.
- 3.5 The utility capital budget includes Council's manhole rehabilitation, water meter replacement, water line replacement, and equipment replacement programs. The utility budget is funded by two sources. The first being the annual transfer from the operating fund to the utility fund in consideration of Capital Trust Fund Utility Equity being used for non-utility purposes. Second by the utility rate levy established for replacement of infrastructure. To allow for flexibility, the utility capital program revenue and expenditures do not have to be balanced annually. Instead, the utility capital budget must be balanced at the end of the five year budget cycle, with the initial cycle commencing in 2008 and ending in 2012.
- 3.6 The special capital budget is a visionary capital plan detailing Council's highest priority **new** projects/programs. The ability to access grants and/or an alternative revenue source is the key eligibility factor for a project to be listed in the special capital budget. Council's mechanism to fund the special projects budget is to draw from the special capital project reserve on a highest priority basis.

4. EXCEPTION TO APPROVED BUDGET

Each change in the approved Budget requires the appropriate **prior** authorizations. The following authorizations shall apply:

- 4.1 Operating Over-expenditures/Revenue Shortfalls
For all revenue shortfalls, over-expenditures and expenditure reallocations from that approved in the operating estimates, the following authorization is required:

- Senior management may approve a budget variance provided the variance can be absorbed within the Department's total budget
- City Treasurer may approve a budget variance provided the variance can be absorbed within the City's total budget.
- City Council approval is required when the variance cannot be absorbed within the City's total budget.
- Council is to be informed of any change to program or service delivery.

4.2 Capital program over-expenditures and/or resource re-allocation

Any exception to the approved capital budget is subject to authorization by City Council.

5. RESPONSIBILITIES

5.1 City Treasurer

- 5.1.1 Coordinating the preparation of the annual budget documents for City Council review.
- 5.1.2 Produce monthly, quarterly and annual financial reports.
- 5.1.3 Reviewing expenditures, revenues, and forecasts in relation to approved budgets and taking appropriate action.
- 5.1.4 Reporting expenditures and revenue performance, both operationally and capital, to City Council on a quarterly basis.
- 5.1.5 Recommending changes to this policy.

5.2 Senior Management

- 5.2.1 Development of budget guidelines and directives to facilitate the preparation of budget estimates.
- 5.2.2 Preparation of annual departmental budgets. This includes, but is not limited to, estimating resource requirements (i.e. labour, materials, equipment, and services), estimating program expenditures, estimating revenues and the preparation of justification reports for capital projects. A greater level of detail and information is required for non-routine capital projects.
- 5.2.3 Review monthly financial reports.
- 5.2.4 Reporting anticipated over-expenditures and/or revenue shortfalls on a quarterly basis to City Treasurer.
- 5.2.5 Periodic reports should be issued routinely on all ongoing capital projects to the City Treasurer. The reports should compare actual expenditures to the original budget, identify level of completion of the project and indicate any concerns with completion of the project on schedule.

5.3 City Manager

- 5.3.1 Monitors and ensures compliance with this policy

5.4 City Council

5.4.1 Approving the final Budget

5.4.2 Reviewing performance in relation to approved budget.