

## TOWN OF MORINVILLE

### LEGISLATIVE POLICY

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<b>TITLE:</b>	<b>ADOPTED BY:</b>	<b>NUMBER:</b>
Budget Guiding Principles	Town Council	253/2006

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<b>PREPARED BY:</b>	<b>DATE:</b>	<b>SUPERSEDES:</b>
Kevin Robins	November 28 <sup>th</sup> , 2006	

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#### **PURPOSE OF THIS POLICY:**

To establish principles for the annual preparation of the Municipal Budgets. In some cases these principles will stand along, while in others the principles are excerpts from separate policies established by Council.

#### **POLICY STATEMENT:**

The Budget is the fiscal plan that is built to support Council's Business Plan and is part of the Town's Financial and Business Planning Corporate Model: The Budget provides authority for administration to spend Town's revenues on programs and services as directed by Town Council.

Financial policies will be an integral part of the development of the budget.

#### **Policy:**

The Town's annual budget will be developed based on the following principles.

#### **A. GENERAL**

The Operating Budget is the annual financial plan for the Town. It provides Administration with the resources necessary to present the service levels determined by Town Council. The Operating Budget will support Council's Business Plan.

#### **B. BALANCED BUDGET**

Each year the Town shall adopt a balanced budget where operating revenues are equal to operating expenditures.

Any year-end operating surpluses will be applied to the Town's "General Contingency Reserve" (95%) and the "Accumulated Surplus" (5%).

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C. ONE-TIME REVENUES

One-time revenues will be matched with on-time operational or capital expenditures. The use of one-time revenues for balancing budgets shall be avoided, as these may result in incurring annual expenditure obligations which may be unfunded in future years.

D. REVENUES

1. Unpredictable revenue sources will not be used to fund expenditures until the revenue has been received.
2. Operating revenue estimates will be based on actual historic trends. Knowledge of future expectations will be taken into account. Since revenues are sensitive to both local and regional economic conditions, revenue estimates adopted by Town Council must be conservative.
3. Diversify Revenues
  - a) The Town will charge fees for services where it is applicable and cost effective to do so.
  - b) The Town will strive for full cost recovery where it is applicable and cost effective to do so.
  - c) The Town will continuously seek new and alternative revenue sources so as to limit the dependence on one or only a few sources and in order to maintain needed services during periods of declining economic activity.

E. NEW PROGRAMS / INCREASE / DECREASE IN SERVICE LEVEL

The Operating Budget will be built based on the principle to sustain current programs and level of services. New programs and/or an increase or decrease in service level will be presented in separate business cases.

F. RESERVES

1. Reserves are set up by Council for specific purposes through its reserve policy. They are used to offset impacts of major expenditures and stabilize the operating and capital budgets.

The Town maintains both operating and capital reserves. The operating reserves are used to fund unexpected or emergency

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expenditures, to smooth the impact of financial changes on tax payers and service users or are set aside for specific future liabilities. The capital reserves are mainly used to support the Town's long-term capital planning.

2. Transfer to reserves will be restricted to the following sources:
  - a) Transfer from "Operating" as approved by Council.
  - b) Direct cash receipts such as sale of fixed assets and land, or any other cash receipts as authorized by Council.
3. Transfers from reserves shall be authorized as part of the budget process and approved by Council.
4. Interest earnings are generally intended to be applied to capital reserves only.
5. The Town may borrow from reserves to reduce the overall impact of borrowing. Where the Town decides to borrow internally, the interest rate used shall be the "Alberta Capital Finance Authority" rate.
6. Each reserve will be supported by a ten year projection of additions and uses of monies. These projections will be updated annually as part of the budget process.

**G. CAPITAL IMPACT**

The Town will strive to maintain an appropriate base in the Operating Budget to support the 10-Year Capital Budget. A decrease in debenture payments will result in an increase in transfers to reserves.

Capital Expenditures are needed for:

1. Refurbishing to maintain Existing Assets.
2. New Amenities and Infrastructure to support growth.

**H. DEBT MANAGEMENT**

The cost of servicing any new debt will be addressed in the same budget year as the debenture will be issued.