

Approval date: June 20, 2016

Resolution No.: 270/2016

Subject: **Financial Plan Process Policy**

Goal

To define the overall approach and philosophy for budgeting and planning the five year financial plan process to ensure clarity and consistency.

To help decision makers make informed choices about the provision of services and capital assets and to promote stakeholder participation in the process.

Scope

The baseline budget is defined as the steady state operating position of each budget authority. This reflects the resources required to provide the same level of service in the current year, before any new priorities or funding requests. New priorities pertain to any material change in service level from the prior year and must be accompanied by business plan documentation to substantiate the change.

This policy defines budget process requirements for the City of Penticton's Operating Budgets, Capital Budgets, and Carry-Forward Budgets

Definitions

Budget Authority - refers to the person responsible for the Budget Centre.

Budget Centre - is a detailed business planning unit under a single person of responsibility or authority, sometimes bridging multiple cost centres, with a specific focus. (Example: water distribution, sewer collection, engineering design)

Cost Centre - is defined by finance as a business unit, including revenues and expenditures for specific departments such as Water Utility, Land Management and Operations etc. A cost centre can have inputs from more than one budget center.

Level of Service - shall refer to the level of operating services provided in the preceding year of the budget year.

Non-discretionary items or expenditures - those expenditures that are tied to operationally essential services, maintenance, asset management, ratified contracts, repairs etc. that cannot be deferred or reduced.

Standard funding sources - includes "expected" sources of revenue that recur from year to year without discretion on the part of the City with respect to the source's existence. Such sources will include but not be restricted to general municipal taxes, utility fees and charges, dividends from City utilities, and recurring grant sources from senior levels of government.

Regulatory Requirements

The statutory requirements for local governments for the completion of financial plans (budgets) and the public processes are set out in the *Community Charter* in Section 165 and Section 166 respectively.

Philosophy

Each department or Cost Centre is committed to providing services and support to the operations of the City. The services will be provided at a level commensurate with the level of resources that Council is willing to dedicate to that service. In keeping with a view to move Penticton toward a most livable City in Canada, the adequacy of available City resources, including taxation, shall be reviewed with respect to delivery of enhanced levels of core services but at no time at levels less than existing.

Principles

Each budget authority's proposed business plan and budget must reflect the City's five year strategic plan's priorities and be consistent with the priorities of the Council and CAO. The financial plan must incorporate a long-term perspective, establish links to the City's broad organizational goals, should focus decisions on results and outcomes. Five year operating plans will incorporate cost and staffing considerations for desired levels of both discretionary and non-discretionary services, changes in levels of service, as well as changes in service requirements coupled with capital projects.

Cycle

The financial plan prepared firstly for the capital budgets and then for the operating budgets, must be for five years and all the years should reflect known dynamic costs and priorities. The budget available for each cost center and for each budget center will be calculated as a total dollar value and as a percentage of the total City expenses will be calculated and given to the departments by June 30 of each year.

The percentage of the total available budget allocated to each cost or budget centre will be based on the average actual expenditures over the previous 5 years. These actual expenditures will not include expenditures funded by sources not included in the definition of "standard funding sources" as established by the Chief Financial Officer from time to time.

Provision must be made within the allocated budget by the Budget Authorities in each calendar year for material but irregular expenditures. Provision will be made by way of regular annual transfers into discrete reserves. The creation of any such reserves shall be at the discretion of the Budget Analyst or the Controller. Expenditures that occur on a seasonal cycle shall be budgeted for using pre-defined methods as determined by Finance.

This policy is to be reviewed in 2019 and every four years post the municipal election. Any changes to this policy must be approved by March 31st.

Timelines for the budget process are presented in Appendix A.

Overview

The Budget Analyst from the Finance Division will prepare the Five Year Financial Plan, presented by cost center reconciled to budget center and present it to Council prior to the presentations by budget authority. A separate schedule of wages by cost center will be prepared and presented in the summary section of the document.

Presentation

The presentation of the annual budget by budget centre will be done by each of the respective budget authorities and will be directed at displaying the City's services plan in a Council and staff friendly format as contained in Appendix B. Presentations will reflect how they support the strategic plan. All assumptions used in the budgets and budget presentations will be identified in the presentations. The presentations by-budget-centre will be prepared by the budget authorities with each authority being responsible for reconciling their presentations to the numbers in the City's "Planner" budgeting system. Within each budget authority, the presentation numbers are aggregated by projects and work order.

The five year financial plan presented by the Budget Analyst by Cost Centre is aggregated by account number with each Cost Centre page containing a summary of the budget centre totals that tie back to the budget authority's budget centre presentation totals.

A statement of the annual infrastructure deficit will be included in the presentations where applicable.

The presentation template is attached as Appendix "B"

Exceptional Operating Expenses

It is acknowledged that certain operating expenditures fluctuate significantly on a year to year basis. Each budget authority will provide for such irregular expenditure patterns by arranging for a special reserve(s) to be created and funded on a year to year basis as part of their operating budget. The creation of any such reserve will be at the discretion of the Budget Analyst and City Controller.

Carry Forwards

Carry forwards may only be done for Capital budget items and all carry forwards at year end must be submitted to Finance in accordance with the timelines presented in Appendix A. The carry forward list must include the estimated dollar amount, the work order of origin, the year of origin, the carry forward work order if different, the month and year of completion and the budget authority. Each carry forward must also have a brief explanation of why the project was not completed and a brief explanation of how the project will be completed by the month and year of completion provided by the budget authority. All carry forwards submitted without explanations and month and year of completion will flow back to the capital surplus. For greater certainty all preliminary carry forward budgets must be completed in advance of the finalized capital budgets and be included in the associated 5 year capital plans/budgets. This will ensure that both carryforward and newly budgeted capital projects in the year will be completed in the year.

The final carryforward budgets shall be calculated by Finance as part of the year-end process.

Budget Amendments

All budget amendments must be submitted to the Budget Analyst on the budget amendment form signed by the appropriate signing authorities. All budget amendments submitted to Council for a resolution must identify the funding source or provide options for Council to choose the funding source. (CC Section 173 (4) (b)) The budget amendment form is attached as Appendix "C". The five year financial plan bylaw will be updated each quarter with all the amendments processed in the quarter.

Budget amendments that require a council resolution:

- strategic project budget change
- An additional ask on surplus
- Significant change on the intent of the spend
- Political sensitivity
- Not in compliance with policy or bylaw
- New project from any source

Taxation Rates

The financial plan will present the estimated tax rates for all five years, as well as comparisons from other similar size communities.

Fees and Charges

Fees and charges form a material part of budgeted revenues. For greater certainty the annual review of the Fees and Charges Bylaw must be completed by July 31, prior to the commencement of the budget process.

Variance reporting

Variances to budget shall be reported out quarterly with detailed explanations included for all positive and negative variances in excess of \$20,000 or 20% of budget.

Certified Correct:



Corporate Officer

Appendix A

Budget Schedule – this schedule is based on completion of the five year strategic plan by June 30

	Due Date
Capital asset project ranking completed	March 31
Set targets over base budget, utility increases	June 30
Capital & Operating allocations set and communicated	June 30
Fees and Charges completed	July 31
IT, training/conference, dues & memberships and legal budgets submitted to the responsible manager	August 31
Operating Budgets entered into Planner	September 15
Municipal grants must be submitted	Last Friday in September
Capital project vetting	September 30
Presentation of annual budget center budgets to Senior Management. This is done by budget authorities.	October 31
Presentation of annual budget center budgets to Council. This is done by the budget authorities.	Second Council meeting in November
Presentation of the five year financial plan by cost center reconciled to budget centers to Council. This is done by Finance.	At or before second Council meeting in November
Once approved the five year financial plan is posted to the web site and is updated each quarter with any budget amendments	As soon as possible no later than Jan 15
Final carry-forward estimates. This is done by the budget authorities. Finalization performed by Finance subsequent to Y/E.	Last Friday in January

Appendix B

Budget Presentations

The presentation template is found on the City network at the following location:

\\citysan1\data\city\RMS\1600-2199_FINANCE\1700_Budgets - General\1700-05 Budget Working File\201X Financial Plan\Power Points

Appendix C

Pre-budget memorandum sample

Budget Timelines:

As per the budget Policy Appendix A

Increases:

For budgeting purposes please use the following percentage increases:

Electric Utilities: Sample

- Do not discount in house electrical costs for street lighting, traffic lighting and buildings as we have done in the past

	Electrical		
	Residential	Commercial	Industrial
	% Change	% Change	% Change
201X			
201X	10.6%	0.0%	0.0%
201X	10.6%	0.0%	0.0%
201X	0.0%	0.0%	0.0%
201X	0.0%	0.0%	0.0%
202X	5.3%	0.0%	0.0%

- **Water Utilities : Sample**
- Agricultural Irrigation Water – X% per year 201X-202X

	Treated Water		
	Residential	Commercial	Industrial
	% Change	% Change	% Change
201X			
201X	19.1%	12.1%	14.2%
201X	19.1%	12.1%	14.2%
201X	19.1%	12.1%	14.2%
201X	19.1%	12.1%	14.2%
202X	19.1%	12.1%	14.2%

- **Sewer Utilities: Sample**

	Sanitary Sewer		
	Residential	Commercial	Industrial
	% Change	% Change	% Change
201X			
201X	4.8%	56.2%	56.2%
201X	4.8%	56.2%	56.2%
201X	4.8%	56.2%	56.2%
201X	4.8%	56.2%	56.2%
202X	4.8%	56.2%	56.2%

- Natural Gas - X%

Human Resources Employee Development, Conferences, Memberships:

Memberships, Conferences, Seminars and Training are all kept within the Human Resources budget. Submit your budget to the Human Resources Manager by August 31. Please attach an explanation indicating which Memberships, Conferences and Training are mandatory in order to maintain accreditation. Please provide details for all training, conference and membership requests. All training requests must include the total cost for the course, travel, accommodation and per diems. Salaries do not get charged to the training accounts; those costs remain in your salary accounts.

Labor/Personnel Budgets:

The current collective agreement increases are not included in Agresso; you will need to factor in the appropriate percentages into your wage allocations. Employees moving up a level in pay or changing a level in their pay grade will also need to be factored in.

Increases for Bargaining Unit Employees Sample

CUPE	1.60%	1.75%	2.00%
IBEW	2.00%	2.00%	2.00%

Do not include any increases for management salaries or IAFF; they will be included in the general provision.

In the ResNo budget we can separate out the labour load this year. In the P&D code column there are codes: PLWEEKLY which is the total wage cost and the labour load, PLWLLRONLY is the labour load only and PLWNOLLR is the wage cost without the labour load. To add this in your payroll you need to add a line and then choose the PLWNOLLR for the wage portion only and PLWLLRONLY to show the labour load. This field (P&D code) will open a menu as soon as you start to type in it. (Example attached) You need to remember to type in the OVR work order number for the labour load only lines. I am available to assist in this, just send me an email.

If you have employees in your Personnel budget that do not belong in your area you can delete them, and if you are missing an employee, use the add button to add them in.

Legal:

All the legal fees are in the Corporate Admin budget authority; please submit all your legal expenses, with detailed backup to the Corporate Officer by August 31.

Office Supplies:

Logistics is responsible for all office supplies; please have your detailed requests to the Logistics Manager by August 31.

General:

Instructions for Planner including print screens are located in the

<\\citysan1\data\SHARED\Agresso Reports\Instructions\Agresso Training Manual.pdf>.

Files and Templates

To access the Power point template:

- Open PowerPoint
- Go to File > New > New from existing
- Select "201X Budget presentation"

Please save your presentations to the following location:

\\citysan1\data\city\RMS\1600-2199_FINANCE\1700_Budgets - General\1700-05 Budget Working File\201X Financial Plan\Power Points

Appendix D

Capital project rating template

Criteria:

Required by Legislation	Yes or No (7 for Yes 0 for No)
Required for Health & Safety	Yes or No (6 for Yes 0 for No)
Strategic Priority	Yes or No (6 for Yes 0 for No)
Council Initiative	Yes or No (3 for Yes 0 for No)
Master Plan Priority	Yes or No (3 for Yes 0 for No)
Improves Operations	Yes or No (3 for Yes 0 for No)
Official Community Plan Priority	Yes or No (2 for Yes 0 for No)
Replacement of Existing Infrastructure	Yes or No (2 for Yes 0 for No)

Ranking:

High	22-32
Medium	11-21
Low	1-10

Appendix E

Budget amendment form

The fillable form is on the City intranet at the following location:

http://cityapp5/intranet/includes/secure_file.cfm?ID=91&menuID=7

City of Penticton Budget Amendment Request																									
To: Chief Administrative Officer <input type="checkbox"/> Chief Financial Officer <input type="checkbox"/>	Date: _____ Department: _____ Council Resolution #: _____																								
1: Approval for a budget amendment is requested as follows:																									
Capital <input type="checkbox"/>	Budget year <input type="text"/>																								
Operating <input type="checkbox"/>	Budget year <input type="text"/>																								
<table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr style="background-color: #cccccc;"> <th colspan="2" style="text-align: center;">From (Source)</th> </tr> </thead> <tbody> <tr> <td style="width: 70%;">Work order number</td> <td style="width: 30%;"></td> </tr> <tr> <td></td> <td style="text-align: center;">Amount</td> </tr> <tr> <td>Current budget</td> <td style="text-align: right;">\$</td> </tr> <tr> <td>Change (enter as neg.)</td> <td style="text-align: right;">\$</td> </tr> <tr> <td>Amended budget</td> <td style="text-align: right;">\$</td> </tr> </tbody> </table>	From (Source)		Work order number			Amount	Current budget	\$	Change (enter as neg.)	\$	Amended budget	\$	<table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr style="background-color: #cccccc;"> <th colspan="2" style="text-align: center;">To</th> </tr> </thead> <tbody> <tr> <td style="width: 70%;">Work order number</td> <td style="width: 30%;"></td> </tr> <tr> <td></td> <td style="text-align: center;">Amount</td> </tr> <tr> <td>Current budget</td> <td style="text-align: right;">\$</td> </tr> <tr> <td>Change (enter as pos.)</td> <td style="text-align: right;">\$</td> </tr> <tr> <td>Amended budget</td> <td style="text-align: right;">\$</td> </tr> </tbody> </table>	To		Work order number			Amount	Current budget	\$	Change (enter as pos.)	\$	Amended budget	\$
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2: Reason budget amendment is required. _____ _____ _____ _____ _____ _____ _____																									
3: Reason for availability of funds from source indicated: _____ _____ _____ _____ _____ _____ _____																									
Requested by: _____	Authorized by: _____ Chief Financial Officer																								
Approved by: _____ Director	_____ Chief Administrative Officer																								