



POLICY 2023-06

TOWN OF CROSSFIELD ANNUAL BUDGET POLICY

Purpose

To establish principals and guidelines for the preparation of annual budgets, and unbudgeted expenditures. It will also ensure effective means to deliver services to citizens and to enforce accountability for the proper and prudent management of public funds.

Policy

The adoption of the Town's budgets and tax rate bylaws are among the most critical functions undertaken by Council.

Budgets shall be developed in a consistent and planned manner and shall take into consideration the impacts on future years and the Town's ability to fund those impacts.

The Town 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.


As attached and titled Policy 2023-06 Annual Budget Policy.

This Policy supersedes all pervious annual budget polices, including Annual Budget Policy 2021-02.

Adopted this 18 day of April, 2023



Mayor Harris



Sue Keenan
Chief Administrative Officer

1.0 Definitions

- 1.1 **Alberta Consumer Price Index (ACPI):** is an indicator of changes in consumer prices experienced and is obtained by comparing, over time.
- 1.2 **Budget Amendment:** mechanism used to revise the approved budget of municipal accounts to reflect changes that occur throughout the fiscal year. Once the approved budget is adopted, it can only be changed by a budget amendment.
- 1.3 **Capital Budget:** a budget allocating money for the acquisition or maintenance of fixed assets such as land, buildings, and equipment as outlined in the MGA.
- 1.4 **Chief Administrative Officer (CAO):** shall mean a person appointed to the position by Council.
- 1.5 **Department Managers/Senior Staff:** shall include but is not limited to: The Managers and Assistants of Administration, Community Services, Community Development & Grants, Development & Community Standards, Financial Officer, Fire Chief, Operational Services, Infrastructure.
- 1.6 **Direct Cost:** shall refer to a cost that is directly related to producing a specific good or performing a specific service. Direct costs include staff time to perform a service.
- 1.7 **Emergency:** shall refer to a state of emergency declared pursuant to the Disaster Services Act.
- 1.8 **Employee:** shall mean a person who is employed with the Town of Crossfield and has completed the three (3) month probation period.
- 1.9 **Fees:** shall refer to the various fees, charges and/or rates that are set for various town programs, services, goods, and requirements.
- 1.10 **Indirect Cost:** shall refer to a cost that is not directly related to the production of a specific good or service, but which should be reflected in pricing to ensure that costs are adequately recovered.
- 1.11 **Municipal Government Act (MGA):** the guiding legislation which outlines how municipalities operate.
- 1.12 **Operating Budget:** an estimate of the income and expenditure for the town as outlined in the MGA.

- 1.13 **Tax Split:** refers to the practice of using different tax rates for different revenue classes and the opportunity of assigning different rate increases to each class.
- 1.14 **Town:** means the municipality of the Town of Crossfield.
- 1.15 **Unbudgeted Expenditure:** means an expenditure, which has not been included in an operating budget, and interim operating budget or capital budget, including, but not restricted to, expenditures for an emergency or one that is legally required to be paid.

2.0 Responsibilities

- 2.1 Town Council
 - i. To approve the annual budget.
 - ii. Consider and approved amendments thereto.
- 2.2 Chief Administrative Officer
 - i. To ensure budget preparation is developed in a consistent manner according to this policy and outlined in the MGA.
 - ii. Bring forward considerations and recommendation to council for changes.
- 2.3 Mangers/Supervisors
 - i. Develop budgets according to this policy.

3.0 Principles

- 3.1 The budget is the most important council strategic document. As such, only elected officials will be permitted to deliberate and adopt budgets as set out in the MGA or any other legal requirements.
- 3.2 Budgets will be aligned with council strategy and Town master plans.
- 3.3 Council will authorize service and service levels delivered to the community.
- 3.4 Budgets will support and foster the economic growth.
- 3.5 The operating budget shall provide administration with the direction and resources necessary to accomplish council-determined service levels. Budgets will support department budget reports.

- 3.6 Council shall approve the final budget upon receipt and review of assessment information (original and revised), no later than April 30 of each year, with the interim budget (including capital and operating) being accepted prior to December 31 each year.
- 3.7 Budget discussion will begin in June each year with capital and operating budgets and presented to council in October of each year and shall:
 - i. Be comprised of operating and capital projects and programs;
 - ii. Be comprised of capital projects and operating programs which balance the expectations of citizens for service levels with their ability and willingness to pay for those services; and
 - iii. Identify all costs associated with operating new equipment or facilities where capital projects are being recommended and identify the funding sources available, including by not limited to staffing.
- 3.8 The need for programs and service levels will be the major consideration in determining tax rates; however, local taxing efforts of other municipalities will also be taken into consideration for comparison purposes.
- 3.9 The municipal tax rates will be set by council annually through the Property Tax Bylaw.
- 3.10 The Chief Administrative Officer and Finance Officer will report any substantial variances within the budget to council when required.
- 3.11 Administration will provide council with quarterly budget updates.

4.0 Multi-Year Planning

- 4.1 Multi-year planning will enhance and improve the budget process by reinforcing the commitment to long-term fiscal health by looking beyond a one-year horizon. The multi-year view will provide citizens, businesses and agencies with longer-term information regarding the town's planned programs.
- 4.2 The town shall adopt a 5-year capital multi year planning schedule.
- 4.3 Capital and Operating multi-year review shall be conducted as outlined in the MGA.

5.0 Balanced Budget

- 5.1 The town shall adopt a balance budget where operating revenues are equal to operating expenditures each year.
- 5.2 No department manager shall intentionally budget in a way that a surplus will be created when developing a budget.

6.0 Use of Unpredictable Revenues

- 6.1 Unpredictable revenue sources will not be relied upon to directly fund expenditures until the revenue has been received including but not limited to:
 - Grants
 - Off Site levies
 - Land and/or facility sales
 - Donations

7.0 Standards

- 7.1 User Fees
 - i. The town supports a user fee philosophy such that wherever possible the user of a particular program or service shall pay the cost of delivering or providing that program or service. The CAO shall develop Fees considering both direct and indirect costs of service and/or the costs of similar services in comparable organizations. Full cost charges shall be imposed unless it is determined that policy, legal, social or market factors require lower Fees. In certain circumstances, Fees may remain flexible to ensure that the town maximizes revenue opportunities, partnerships, and cost savings. Fee stability shall be sought wherever possible.
 - ii. Fees shall be calculated considering both direct and indirect costs and market comparators and will reflect a balance between recovery of Direct Costs and affordability and accessibility for all residents.
 - iii. User fees will be reviewed by administration at least once annually to coincide with the preparation of the Town budgets. The CAO, or designate, will then present the Fees and Rates bylaw to council during the budget process.
 - iv. Council will approve Fees and rates and related Fees and Rates bylaw.

7.2 Fines and Penalties

- i. Fines and penalties shall be set high enough to encourage compliance with regulations without being so high as to discourage residence within the community. Fines and penalties shall be approved within bylaws set by council and reviewed as required to ensure ongoing effectiveness.

7.3 Offsite Levies

- i. Offsite levies shall be determined in compliance with provincial legislation and reviewed through offsite levy infrastructure studies and planning to be approved by council through bylaw.

8.0 Tax Revenue

8.1 Taxes will be levied to fund the costs to deliver town services. These town services include those planned for within the operating fund. The capital/operating fund will include the projected costs to deliver the service to the community.

8.2 Tax increases will be to a sufficient level necessary to ensure the community future sustainability. The town shall use the September 1st Alberta Consumer Price Index as the targeted property tax increase.

8.3 Market Value

- i. The Town shall maintain a position of revenue neutrality in relation to shifts in market value assessment fluctuation. For clarity, the municipal revenue property tax total budget will not be adjusted for market value fluctuation, whether increasing or decreasing. Increases in assessment derived from actual physical growth will serve to increase tax revenues.

8.4 Tax Split

- i. The Town shall employ a split tax rate, having different tax rates for the residential and non-residential classes.
- ii. Non-residential properties shall bear a higher rate of taxation than residential properties as these properties represent an adventure in the nature of trade.
- iii. The split tax rate may result in a different tax increase percentage for each property class based on the tax burden assigned to that class.
- iv. The tax split shall be taxed using a rate that is 1.40 times the single-family residential tax rate by the year 2025. The town will increase the rate split by .19 in 2023 and by .20 in both 2024 and 2025.

- v. After 2025, the non-residential split property tax rate shall be the higher of:
 - a. 1.4 times the single-family residential tax rate; or
 - b. the average of prior year non-residential splits over residential rates of comparator municipalities.
- vi. Comparator municipalities are those in the same (or similar) market as Crossfield from an economic perspective.

9.0 Reserves

- 9.1 The town will maintain appropriate reserves as determined by council.
- 9.2 The budget will allocate an appropriate level of funds to reserves in order to maintain services throughout economic cycles:
 - i. To ensure against unforeseen costs and revenues reductions;
 - ii. To provide bridge financing for capital; and/or
 - iii. To allow the town to take advantage of grants and/or market opportunities.
- 9.3 In addition to its capital reserve funds, the town may establish reserves:
 - i. to fund large, long-term liabilities; and/or
 - ii. to fund multiple year special projects.
- 9.4 Use of reserves is planned and is not considered as an alternative-funding source in place of good financial practice. Long-term liabilities will be reviewed on an annual basis. Reserves and reserve funds will be established as required and maintained.
- 9.5 The town will maintain capital and operating reserves in order to ensure a current and sufficient asset base to support town programs and services. Contributions to these reserves will be based on the 10-year rolling average for capital investment.
- 9.6 Capital Reserves will take into consideration the following:
 - i. Capital renewal
 - ii. Community Growth
 - iii. Service Enhancements
 - a. Annual Maintenance
 - b. Refurbishment & Replacement
 - c. Service Growth
 - d. Community Wants and Needs

9.7 Operating Reserves will take into consideration the following:

- i. Municipal Services
- ii. Special Projects
 - a. Inflation
 - b. Growth
 - c. Legislation Changes
 - d. Resident Wants and Needs
 - e. Technology

10.0 Capital Budget Amendments – Council Approved

10.1 Capital budgets will be prepared with due diligence with respect to projected costs and will align with good project management methodologies including stepping through pre-design, design, and construction phases. At times amendments to the current year capital budget are necessary:

- i. Upon reporting to council, the CAO in conjunction with the Finance Officer will authorize capital budget amendments up to fifty thousand (\$50,000) dollars provided the amendment is within the total current year approved budget.
- ii. Capital budget amendments for a new program or services or a significant change above the approved budget in service level require the endorsement of the CAO and approval of council, by way of council resolution.
- iii. Authorization from any amendment must be in place and in writing prior to any transactions taking place.
- iv. Funding will be managed by the Finance Department and will work with Department Managers and aim to maximize the use of grants, interest earned, debt and reserves.
- v. Once the capital budget has been approved, it cannot be changed unless under Emergency circumstances as outlined within the MGA.

11.0 Operating Budget Amendments – Council Approved

11.1 At times, amendments to the operating budget are necessary to facilitate town operations. The CAO will manage expected outcomes of the operating budget and will have the authorization in conjunction with the Finance Officer to make amendments between programs and service areas as follows:

- i. Upon reporting to council, the CAO in conjunction with the Finance Officer will authorize operating budget amendments up to twenty-four thousand and nine hundred and ninety-nine (\$24 ,999) dollars provided the amendment is within the total approved budget.
- ii. Operating amendments over twenty-five thousand \$25,000 dollars require the approval of council.
- iii. Operating budget amendment for a new program or service or a significant change above approved budget require the approval of Council by way of council resolution.
- iv. Authorization for any amendment must be in place and in writing prior to any transactions taking place.

12.0 Operating/Capital Budget Amendments – Emergency

- 12.1 The CAO has emergency spending power as per section 248 (3) of the Municipal Government Act.

13.0 Salaries, Wages, Benefits

- 13.1 The CAO is responsible for the organization and management of town staff.
- 13.2 During budget delivery and deliberations, the CAO will provide staffing data as follows: current full-time and full-time equivalents, any additional full-time equivalents proposed, staffing by department and overall full-time equivalents.
- 13.3 Notwithstanding extraordinary situations or new service delivery, annual increases to staffing shall not exceed the rate of inflation for Alberta as per Statistics Canada as determined by council during the budget process.

14.0 Policy Review

- 14.1 The town is committed to ongoing monitoring and periodic review of this policy and related procedures as determined by the CAO.