



Chatham-Kent Budget Policy

Chatham-Kent Budget Policy

Budget Policy – Operating and Capital

1.0 POLICY STATEMENT AND PURPOSE

Budget policies provide the framework for overall fiscal planning and management. The policies set forth guidelines for both current and long-range planning activities. The policies are reviewed annually for adherence and relevance and provide standards against which current budgetary performance can be measured and proposals for future programs or service reductions evaluated.

2.0 SCOPE

The Municipal Act requires Council to review and adopt a balanced budget on an annual basis. Debt cannot be issued to balance the operating budget and ongoing operations shall be funded from ongoing revenues. One time revenues should fund one time expenditures.

The fiscal year for the Municipality is January 1 to December 31.

Budget identifies the resources required to deliver services at approved levels. Tax policy identifies how the budget requirement is raised.

Operating Budget covers the costs associated with the operation of the Municipality, e.g. garbage collection and disposal, social benefits, maintenance, vehicles, salaries, equipment, etc. Council approves the operating budget through a series of budget committee meetings at the beginning of each fiscal year.

Capital Budget covers the capital projects undertaken by the Municipality each year, e.g. major asset reconstruction – road, sewers or new asset development. The five year plan is reviewed and presented to Council in a separate report with approval recommended for the current year projects only.

Lifecycle Budget covers the annual rehabilitation/renewal of assets and currently does not provide funding requirements for replacement. Further detail is available under the Asset Management policy. Each category of asset covered under the Infrastructure Plan presents a prioritized and recommended annual plan for the utilization of the budget in a separate report to Council after the budget process.

3.0 STANDARD OF CARE

Department General Managers are responsible for managing their budgets within the total approved budget under their control. The process to communicate and seek approval from

Chatham-Kent Budget Policy

Council for changes to approved budgets requires a report to Council with suggested recommendations for Council's consideration.

After the annual budget has been approved, it is monitored by staff on a regular basis and reported to Council through quarterly variance reports.

Departmental expenditures shall be charged to the appropriate object code and not to accounts where an excess of funds may exist.

Prior to the end of the fiscal year, departments will review their budgets and request that unexpended budgets related to approved budgets be considered as an encumbrance and carried over to the next operating year. This reporting will be co-ordinated through the Finance department with recommendations to Council.

4.0 OBJECTIVES

The budget objectives (in no particular order):

- A) Establish a Sustainable Base Budget
- B) Establish Fair Market "User Fees" for Services
- C) Maximize leverage
- D) Staffing
- E) Strategic Planning
- F) Service Review Sustainability Process
- G) Department Business Plans

A) Establish a Sustainable Base Budget

- based on comprehensive inventories of all infrastructure (see Asset Management Policy)
- ensure that Council has the appropriate information to address all of the Municipality's needs and issues...current & future
- systematic review of base budgets
- first year of each Council term a detail review of base budgets is scheduled with departments

B) Establish Fair Market "User Fees" for Services

- rather than subsidizing services with property taxes, ensure that user fees, where there are comparable private sector services, are at market rates

C) Maximize Leverage

- through cost sharing arrangements such as the Community Partnership Fund program
- business development incentives such as Brownfield/Bluefield and Community Improvement Plans
- senior government grant opportunities

Chatham-Kent Budget Policy

D) Staffing

- maintain adequate staffing levels
- maintain a corporate environment that enables:
 - the retention & attraction of qualified staff
 - the delivery of sustainable service levels in an efficient & effective manner

E) Strategic Planning

- support Council's strategic directions
- implementation of business plans, master plans and studies
- 5 to 10 year capital budget

F) Service Review Sustainability Process

- Review of services with intent to:
 - contain or reduce future years' projected tax increases
 - ensure service plans are sustainable
 - create opportunities to strategically reinvest existing funds

G) Department Business Plans

- In 2014, the Chief Administrative Officer mandated the completion of 4 year business plans for each business unit. The business planning process is to incorporate Council's Directions and allocate resources accordingly. The integration of business plan resource requirements and the budget process is currently addressed through the Executive Management Team's corporate ranking of the supplementary budget recommendations.
- Further development in this area is expected through the CAO's office and the Budget and Performance area.

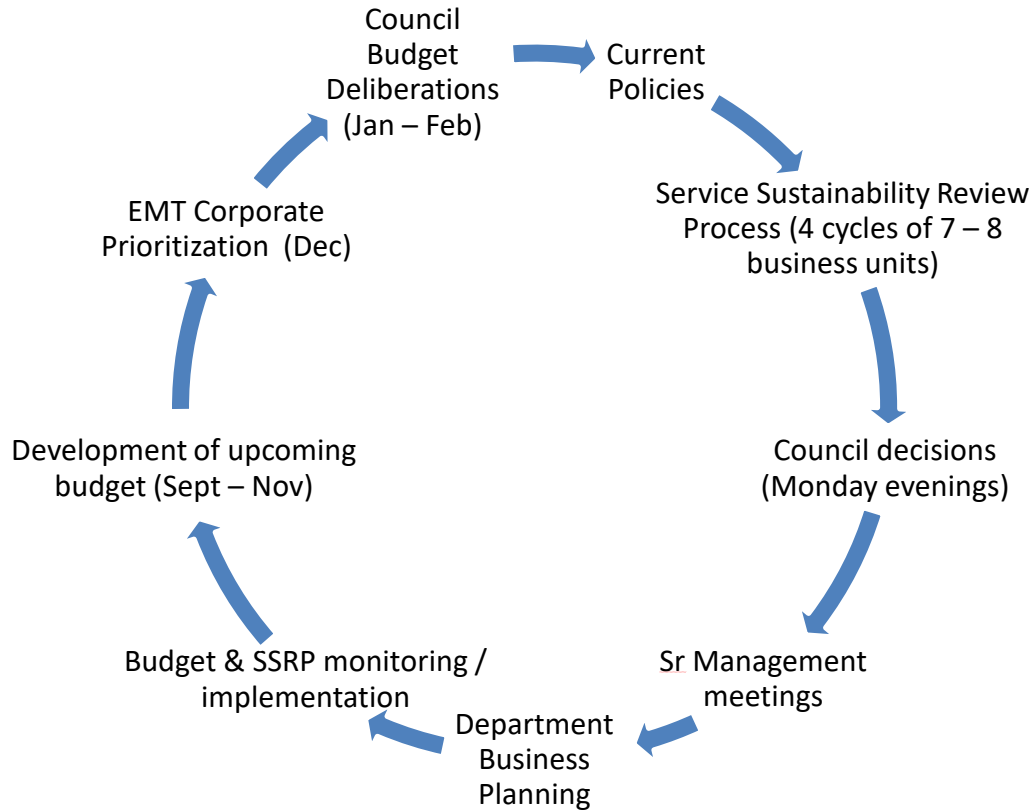
5.0 BUDGET PROCESS

Operating:

Budgets are **not** created in January. They are a compilation of decisions made during the year at Council meetings as well as recommendations from the Executive Management Team (EMT).

The budget process continues to evolve with further refinements required in the department business planning process.

Chatham-Kent Budget Policy



- Council approves the process for the year including an upper limit for a draft tax change
- Administration assigns budget targets to departments in order to achieve Council's directions
- Departments submit draft budgets based on targets and applicable strategic plans/documents
- Departments review draft budgets with the Budget Team
- In order to develop recommendations, Executive Management Team (EMT) reviews submissions and **corporately ranks**:
 - requests for new investment
 - new investments required that were not brought forward by departments
 - options required to meet targets
- EMT presents recommendations to Council at an information evening scheduled two weeks prior to budget deliberations
- Public consultation is held on the draft recommendations during the following week after the budget information evening
- Council deliberations take place and are open to the public
- Based on the funding levels approved, further reports on the implementation of the Capital and Lifecycle budgets are presented in separate reports to Council after budget deliberations.

Chatham-Kent Budget Policy

Base Budget Process:

- on-going annual resource requirements
- reflect the current level of service approved by Council
- include base operating costs required
- include existing revenues at existing rates
- do not exceed prior year's net base budget
- reflect approved base budget adjustments as a result of Council decisions during the past year

Supplementary Budget Process:

- reflect any proposed change to existing levels of service or any proposed new programs, lifecycle provisions, staff or revenues
- revenue reductions that do not translate into cost reductions
- revenues included should be any increase to existing fees, any proposed new revenue sources or revenue changes due to volume
- changes to service level agreements
- identify issues as **one-time** or **annual** requirements
- each item, will have a recommendation by the EMT that meets the following Supplementary Budget criteria:

<p>A – must do</p> <ol style="list-style-type: none"> 1. Net revenue generating 2. a) Legislated/contractual b) Council mandated 3. Required base budget adjustment (including inflation) 4. Critical investment: - Municipal infrastructure 	<p>B – should do</p> <ol style="list-style-type: none"> 1. Community growth 2. Cost avoidance / payback / legal issues 3. Responsive to a wide community / corporate need for new service levels
<p>C – nice to do</p> <ul style="list-style-type: none"> • Not critical • Community enhancement • Added value • Responsive to a narrower need 	<p>D – defer</p> <ul style="list-style-type: none"> • Set aside • Not necessary this year
<p>E – other funds available</p> <ul style="list-style-type: none"> • Item recommended but through use of existing or alternative funding vs property tax rate • Efficiency matters (less than 1 year pay back) 	<p>T – new area rated service</p> <ul style="list-style-type: none"> • Item recommended but not through general tax rate

Cost reduction ranking, (ranked 1 – 10, weighted 1 – 10):

Chatham-Kent Budget Policy

- 1) Sustainability...weight factor 8
 - productivity, effectiveness, cost avoidance, staff retention/ attraction
- 2) CK community...weight factor 6
 - service, civic engagement
- 3) Strategy...weight factor 7
 - strategic Planning, Council Strategic Directions, CK Official Plan
- 4) Risk...weight factor 5
 - legislation, liability, health & safety, financial, social
- 5) Ward/user community...weight factor 3
 - service, civic engagement

Items submitted for cost reduction are ranked 1 – 10 and then multiplied by the weight factor assigned to each criteria. The highest rank possible is 290 identifies that the item is not supported by any of the criteria – not sustainable, has significant impact to the community and ward/user, has a high risk and goes against the Council Strategic Directions.

- The criteria is reviewed annually with any changes communicated during budget deliberations

Related policies - grant

Capital Budget:

- The Capital budget is co-ordinated and compiled by the Engineering Division of the Infrastructure and Engineering Department
 - represents major asset reconstruction, new assets, basically items not covered within the Infrastructure lifecycle program
- Departments submit a 5 year budget by project for their business units
- The project demand typically exceeds the resources approved for the capital budget and items are prioritized using the cost reduction ranking.
- Items receiving a high ranking are recommended within the current year funding allotment.

Related policies – purchasing, asset management

Lifecycle Budget:

- There are currently 30 categories of infrastructure annual requirements tracked and reported on, which includes the Provincially mandated categories of the Asset Management Plan - social housing, roads and bridges
- The lifecycle requirements attempt to quantify the need for proven renewal opportunities which delay the need and cost of full replacement. Currently the equipment and fleet are the only lifecycle requirements that identify

Chatham-Kent Budget Policy

replacement costs

- A separate presentation of funding options and recommendations are presented during budget deliberations for Council consideration to reach full funding and requirements of the Asset Management Plan
- Implementation plans are presented to Council after budget deliberations

Related policies – purchasing, asset management

Service Review Sustainability Process:

In 2012, Council approved the implementation of the Service Review Sustainability Process. SSRP is defined as an examination of CK services with the intent to:

- a) Determine what services should be delivered by CK and at what level those services should be delivered.
- b) Identify potential improvements to effectiveness and efficiency in the delivery of those identified services.
- c) Develop a plan to achieve financial sustainability for those identified services.

The objective of an SSRP is to conduct a review of services delivered by Chatham-Kent with the intent to:

- a) contain or reduce future years' projected tax increases
- b) ensure service plans are sustainable
- c) create opportunities to strategically reinvest existing funds

In consultation with Council, community stakeholders and staff resources, this will be accomplished through the following processes:

- a) a service level review
- b) a service delivery review
- c) a user fee review

Final decisions and implementation plans will, wherever possible, compliment the strategic directions adopted by Council.

The SSRP is broken into numerous phases: determination of the inventory of services, public engagement, review of services, user fee reviews, implementation of recommendations and monitoring.

Departmental Business Planning:

In a report to Council, July of 2014, the Chief Administrative Officer introduced the completion of business plans for business units.

Chatham-Kent Budget Policy

The Integrated Business Planning Process involves four stages:

1. Strategic Planning (set the priorities)
2. Business Plans (develop the action plans to meet the priorities and set the performance targets to measure performance)
3. Budget Process (apply resources to the action plans)
4. Performance Measurement (review performance metrics and report on progress of action plans).

Stage one will be performed every four years with stage two through stage four being performed annually.

Further development in this area is expected through the CAO's office and the Budget and Performance area. The CAO's office co-ordinated the completion of the 2014 business plans and annual report card.

6.0 REPORTING

Council budget deliberations are open to the public and all documents are available on the web-site.

Reports to Council throughout the year include a Financial Implications section which identifies any budget impact and sources of funding if not within approved budget limits. This area is to be completed with consultation with the Finance Budget and Information Technology Services (FBIS) department.

Variance reports are prepared and reported quarterly to Council after a corporate review with the Executive Management Team. Final year-end variances also receive corporate review with recommendations presented to Council with the audited financial statements.