

# Council Policy



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## Budget Principles and Guidelines

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**Policy Number:** CP102/2023

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**Supersedes Policy:** CP182/2022, Budget Guiding Principles

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### SECTION A

#### 1.0 Policy Purpose

- 1.1 To establish a standard process and strategy for the development of both operating and capital budgets for the Town of Morinville.

#### 2.0 Definitions

- 2.1 **“Capital Budget”** means a ten-year budget wherein Council approves year one in practice and years two through ten in principle for planning purposes only.
- 2.2 **“Capital Expenditure”** means any expenditure, in excess of \$5,000, to acquire, construct or improve a tangible capital asset used in the provision of municipal service delivery.
- 2.3 **“Compensation Comparison Group”** member municipalities of the Edmonton Metropolitan Regional Board.
- 2.4 **“Core Municipal Infrastructure”** tangible capital assets that support the delivery of essential municipal services including but not limited to water, sanitary sewer, transportation, and emergency services.
- 2.5 **“Direct Costs”** includes, but is not limited to staff time, materials, and contracted services.

- 2.6 **“Direct Municipal Comparison Group”** is the group of urban municipalities (cities, towns and/or villages) determined to be statistically similar to the Town of Morinville as determined by the Municipal Measurement Index.
- 2.7 **“Full Cost Recovery”** means the collection of revenues sufficient to fund the full cost of service provision including operational costs and a rate of return on fixed assets.
- 2.8 **“Operating Budget”** means a three-year budget wherein Council approves year one in practice and years two and three in principle for planning purposes only.
- 2.9 **“Regional Comparison Group”** comprises the following municipalities: Towns of Stony Plain, Gibbons, and Devon; Cities of St. Albert, Leduc, Beaumont, Fort Saskatchewan and Spruce Grove; and Sturgeon County.
- 2.10 **“Town”** means the Town of Morinville.

### 3.0 General Policy Statements

Municipal budgets are the foundation on which municipal operations and service delivery are built. Budgets must support the Corporate Business Plan, which in turn reflects the current strategic direction of Council.

Annual budgets are the way in which Council determines the programs, projects and services the Town of Morinville will deliver. Council approved budgets also provide the authority to Administration to make the expenditures identified in the budget.

Budgets must adhere to provincial legislation, most notably the *Municipal Government Act* as well as any fiscal policies or related bylaws of Council.

### 4.0 Operating Budget

- 4.1 The Operating Budget is one of the most important decisions made by Council annually. The Operating Budget establishes the programs and services to be provided in the Town and determines the general municipal tax levy to be distributed to taxpayers.
- 4.2 The Operating Budget will reflect Council’s Strategic Priorities by way of funding the activities outlined in the Corporate Business Plan, as well as supporting the general provision of core municipal services to Morinville residents.
- 4.3 **Format**  
The Operating Budget will be developed on the basis of a rolling three-year budget, with year one approved by Council as the Operating Budget for the

upcoming fiscal year and the remaining two years approved as operational forecasts in alignment with Corporate Planning requirements of the *Municipal Government Act*.

#### 4.4 Base Budget

Initial draft budgets will be based on continuing municipal service provision at the same levels as the previous year. This extends to services provided by organizations external to the Town itself but supported by Town funding. As a result, any increases in spending will relate only to increased costs of maintaining established service levels. Exceptions to this approach are limited to:

- i. Where Council has revised a policy in a manner that changes a specific level of service.
- ii. Where Council has passed a motion directing Administration to alter service delivery for a specific service.
- iii. Where, through budget deliberations, Council has directed Administration to incorporate changes to service levels in the budget before Council.
- iv. Where Administration has identified a requirement for service delivery adjustment such as a regulatory change or change in specific community needs.

In the event of one of the four exceptions to the continuation of service levels, Administration will specifically note and explain the change to service levels and respective costs during the budget presentation to Council, and in the Operating Budget document.

#### 4.5 Estimates

Revenue estimates are to be developed using a conservative approach and based on Administration's assessment of the most likely scenario, given the information available at the time. Revenue projections will incorporate any proposed amendments to the Fees and Charges Bylaw and be adjusted according to Council direction respecting fees and charges.

Expense estimates will be based on Administration's best estimate of the costs to provide the level of service directed by Council. Estimates will take into account historical costs of service, inflation, population growth and any additional necessary expenses to maintain service levels.

#### 4.6 Balanced Budget

Consolidated Operating Budgets must collect sufficient revenue to support budgeted expenses, as required in the *MGA*.

Council and Administration will strive to achieve a balanced tax-supported budget without subsidization from utility-supported surpluses. However, should

utility reserves be fully funded, as defined in the reserve policy, utility surpluses may be utilized to support tax-supported operations.

**4.7 Minimum Reserve Transfer**

The annual Consolidated Operating Budget prepared by Administration for Council's approval is required to include a transfer to capital reserves of no less than \$300,000.

**5.0 Capital Budget**

**5.1** The Capital Budget establishes Council's annual investment in the infrastructure of the municipality. Capital investments are key to ensuring Town infrastructure is capable of delivering the level of service Council expects.

**5.2** The Capital Budget will reflect Council's Strategic Priorities through investments that support services, programs and projects identified in the Corporate Business Plan.

**5.3 Format**

The Capital Budget will be a 10-year rolling budget updated annually. Each year the Capital Budget will be reviewed and updated with new information regarding Town needs and project costs/scope, with specific emphasis on refining the estimates for the current budget year.

**5.4 Project Selection**

A number of sources of information will be utilized to identify potential projects for inclusion in the Capital Budget, including studies, surveys, master plans/strategies and asset management data.

A project inventory will be developed on the basis of the above-noted information and ranked according to:

- Impact on health and safety
- Legislative and/or regulatory requirements
- Connection to Council's Strategic Priority Outcomes
- Impact on core municipal infrastructure.

Following the ranking Administration will develop a Capital Budget based on the priority projects identified and the available funding from grants and reserves. Should available grant and reserve funding be insufficient to fund necessary projects, Administration may also include a recommendation to utilize current year tax funding, or debentures to support the Capital Plan.

The Capital Budget may be modified as deemed necessary by Council prior to approval, except for projects intended to address health and safety issues, or legislative/regulatory requirements.

#### 5.5 Balanced Budget

Capital budgets must be fully funded through a combination of reserves, current year taxes, grants and/or debentures.

### 6.0 Fees and Charges

6.1 The foundation of the Town of Morinville's fees and charges is the principle of user pay. That is, wherever possible, the user of a service is responsible for paying the cost of that service. In this way fees and charges levied in the Town of Morinville generate revenue to directly support the cost of providing associated services. Revenue from fees and charges alleviates the need to expend general tax revenue on the provision of said service and therefore assists in mitigating tax levy increases.

#### 6.2 Approach

Regional equity and competitiveness are the primary factors used to determine Town of Morinville rates and fees. This approach to setting fees and charges balances the need to fund direct and indirect costs of service provision with regional competitiveness and affordability for users. Subject to the specific limitations and provisions noted below, fees and charges will target the median for similar rates amongst the Regional Comparison Group.

#### 6.3 Utility Rates

For both water and sanitary sewer, the model will incorporate the following factors into the development of the associated rates:

- Administrative base charge: covers basic administrative costs
- Pipe size charge ties the costs of service to the size of the service line provided.
- Volume-based rate: to address variable operational costs.
- Rate of return: ensures the rate model generates sufficient funding for future capital projects based on the following factors:
  - Long-term investment rate estimate
  - Capital borrowing rate (established by Alberta Treasury Board and Finance)
  - Average rate of amortization on Town assets
  - Construction price index

Solid waste and recycling services are contracted to a third party in the Town.

Rates for these services are based on the cost of the contract plus a 5% administration fee.

Stormwater fees are set on a flat monthly rate basis to provide capital funding to both fund storm management-related capital projects and fund activities that address ongoing drainage issues in the Town.

#### 6.4 General Fees and Charges

The following applies to the development of fees and charges related to:

- Administration
- Assessment and Taxation
- Communications and Marketing
- Community Safety
- Facility Rentals
- Planning and Development

Market analysis will be performed to determine the median rate for the region. Additionally, where practicable, service provision costs will be evaluated to determine the direct costs of providing the respective service.

Regional median values will be used as the default amount for Town of Morinville rates and charges. However, where directly attributable costs are calculated to exceed the regional median fee or charge for a service, cost recovery will be used to determine the respective rate.

#### 6.5 Community Services Fees

Council recognizes the social and health benefits of access to recreation and cultural activities. As such, Community Services Fees are not expected to fully cover the costs of service and instead must reflect regional competitiveness and affordability wherever possible.

When setting Community Services fees, the following factors will be taken into consideration:

- Regional Competitiveness
  - Ensuring fees in Morinville are comparable to similar recreation and culture fees in the region to encourage the use of Town facilities by both Town and regional residents.
- Affordability
  - Utilizing the Government of Alberta's Regional Dashboard to assess available household income in Morinville compared to other municipalities in the Regional Comparison Group and where possible, adjusting rates accordingly.

- Utilization
  - Ensuring that rates are adjusted where evidence indicates that a reduced rate would increase facility usage and aggregate annual revenue.
- Cost recovery
  - While Council understands that cost recovery for many of the services provided by Community Services is not applicable, for the Morinville Leisure Centre (MLC) and Morinville Community Culture Centre (MCCC) cost recovery targets are as follows:
    - 40% for the MLC
    - 20% for the MCCC

#### 6.6 Annual Review

Council recognizes the interconnectedness between budgeted revenues and fees and charges. Therefore, the Fees and Charges Bylaw will be reviewed annually as part of the budget process. Fees and charges will be updated to ensure compliance with this policy and to provide accurate revenue budgeting.

#### 6.7 Collection of Fees

Payments can be made at the Town's Administration Building during normal business hours. If applicable, fees and charges can be paid at the site where the service/item was received or online via the Town's payment portals.

All services and/or items for sale by the Town to the public, for which the public has an account for those services/items shall be due and payable not later than 30 days following receipt of the respective invoice.

#### 6.8 Non-Sufficient Funds (NSF)

NSF cheque payments must be replaced with cash, credit/debit card, certified cheque or money order and will be subject to NSF fees outlined in the Fees and Charges Bylaw.

### 7.0 Unbudgeted Expenses

7.1 Council acknowledges that budgeted expenditures are based on the best available information at the time of the budget process. Council expects that every effort is made by Administration to not only remain within the total allocated expenses for each department but, wherever possible, to end the year with a positive budget variance. However, Council also recognizes situations may occur where unexpected or unanticipated costs arise.

7.2 Section 248(3) of the Municipal Government Act requires that Council establish procedures to verify expenditures that are not included in the budget.

**7.3 Budget Reallocations**

Where individual departments can accommodate unanticipated expenses without exceeding the total approved departmental budget, reallocations of specific budgeted amounts are at the discretion of the respective department manager

**7.4 CAO Approval Threshold – Operational Expenses**

If an unanticipated expense causes a departmental budget to exceed its total approved budget by an amount less than or equal to \$25,000, the CAO has the authority to approve said expenditure.

Any expenditure authorized by the CAO must be reported to Council at a subsequent Regular Meeting of Council. Reports must identify the rationale for the additional expense and what budget reallocations have been made to address the unanticipated expense.

**7.5 Council Approval – Operational Expenses**

Should an unbudgeted budgeted expense cause a departmental budget to exceed its total budget by more than \$25,000 the expense must be brought forward to Council in a Request for Decision for specific approval by Council.

**7.6 CAO Approval Threshold – Capital Expenses**

The CAO has the authority to approve individual capital project budget overages of the greater of 10% of original budgeted costs or \$25,000. Regardless of the 10% threshold the maximum amount the CAO can approve is \$250,000.

Any budget overages authorized by the CAO must be reported to Council at a subsequent Regular Meeting of Council. Reports must identify the rationale for the additional expense and what budget reallocations have been made to address the unanticipated expense.

**7.7 Council Approval – Capital Expenses**

All capital project overages in excess of the threshold established for CAO approval must be brought forward to Council in a Request for Decision for specific approval by Council.

**8.0 Comparators**

- 8.1** Comparisons with other municipalities in the region and across the province are a key source of contextual information for both Council and the public in reviewing and assessing the annual budget.



While the relevance of comparator groups is highly correlated to the subject matter under review, for consistency, clarity and transparency, three comparison groups will be utilized for comparative budget information.

## 8.2 Comparator Groups

- Regional Comparison Group
  - Consisting of the urban municipalities in the Edmonton Metro region, with the exception of the City of Edmonton itself, as well as neighbouring Sturgeon County, this comparator group will be utilized to provide regional context and comparisons for topics where geographical proximity to the Town of Morinville is relevant.
- Direct Municipal Comparison Group
  - Consisting of a list of municipalities deemed statistically similar to the Town of Morinville via the Province of Alberta's Municipal Measurement Index, this comparator group will be utilized to benchmark the Town of Morinville against similar communities to evaluate overall financial performance. The comparator group will also provide unbiased comparisons to statistically similar communities in Alberta.
- Compensation Comparison Group
  - Established via the Council approved Compensation Policy, this comparison group is used for compensation reviews as it includes all member municipalities of the Edmonton Metropolitan Regional Board who serve as direct competitors to the Town of Morinville with respect to recruitment.

## 9.0 Review of Policy

- 9.1 A review of this policy must be conducted by each incoming locally elected Town Council. The review must take place within six months of the election to ensure that budgets throughout the term are crafted on the basis of the current Council's priorities and objectives.
- 9.2 This policy shall remain in effect if the review period passes prior to Council review.

## **SECTION B**

### **1.0 Reference to other Policy and Legislation**

Property Tax Bylaw  
Water/Sanitary/Solid Waste/Stormwater Utility Bylaws  
Fees and Charges Bylaw

### **2.0 Persons Affected**

Council  
Administration  
Public

### **3.0 Divisional/Departmental Responsibility**

Administrative Services / Financial Services

### **4.0 Review/Revision History and Author**

CP182/2022, Budget Guiding Principles  
Draft Policy – Budget Principles and Guidelines (June 2022), Financial Services  
Budget Guiding Principles Legislative Policy 253/2006

Original Signed \_\_\_\_\_

Simon Boersma  
Mayor

Original Signed \_\_\_\_\_

Naleen Narayan  
Chief Administrative Officer