



# TOWN OF PINCHER CREEK POLICY



<b>Approved by:</b> Council 18-364	<b>Date:</b> July 4, 2018	<b>Policy Number:</b> 167-18
<b>Reference:</b>	<b>Revision Date/by:</b>	
<b>Title:</b>	<b>FINANCIAL POLICY</b>	

## **Policy Statement**

The Town of Pincher Creek strives to provide an adequate level of municipal services while maintaining a financially sustainable community. There must be a balance between resident expectations for services and the taxpayers' ability to pay for these services.

## **1. Definitions**

- 1.1.** MGA – shall mean the Municipal Government Act of Alberta 2000 Chapter M-26 and amendments thereto.
- 1.2.** Conservative - in accounting the convention of conservatism is the concept of recognizing expenses and liabilities as soon as possible when there is uncertainty about the outcome, but to only recognize revenues and assets when they are assured of being received.
- 1.3.** Cost Centres – a specific area in the Town's operations for which a budget has been created

## **2. Responsibilities**

### **2.1. Council**

- 2.1.1.** As per the MGA, section 242(1) and 245, council must adopt an operating and capital budget for each calendar year
- 2.1.2.** As per the MGA, section 283.1 (2) and (3), each municipality must prepare a written operating plan for at least the next 3 financial years and a written capital plan for at least the next 5 financial years.

**2.2. Chief Administrative Officer**

**2.2.1.** Insure that council adopts an operating and capital budget

**2.2.2.** Insure that the Directors and Managers prepare an operating and capital budget consistent with Council's strategic plan

**2.3. Director of Finance and Human Resources**

**2.3.1.** Schedule and coordinate the budget process

**2.3.2.** Calculate the salaries and benefits portion of the operating budget

**2.4. Directors & Managers**

**2.4.1.** Prepare operating and capital budgets for the cost centres under their responsibility

**2.4.2.** Follow Council's Strategic Plan when preparing operating and capital budgets

**3. Procedures**

**3.1. Policy Objective**

**3.1.1.** To maintain financial flexibility in order to be able to continually adapt to local, provincial and national changes in economic conditions.

**3.2** In order to be compliant with section 283.1 of the MGA:

**3.2.1** Administration for the Town of Pincher Creek will prepare a four year operating budget to be approved by council

**3.2.2** Administration for the Town of Pincher Creek will prepare a five year capital budget to be approved by council

**3.2.3** Annually Council will review and update the operating and capital budget

**4. Budget Process**

**4.1 Operating Budget**

**4.1.1** The Town's operating budget must have estimated revenue and transfers at least sufficient to pay the estimated expenditures and transfers (excluding amortization); the operating budget must balance.

- 4.1.2** To accommodate the multi-year budget cycle, Departments are expected to operate within their approved multi-year budget.
- 4.1.3** If there is a shortfall in the first year, Departments are expected to cover the deficit in a subsequent year within the multi-year budget
- 4.1.4** If the first year results in a net surplus, the Departments may carry forward the surplus to assist its operations in future years within the multi-year budget.
- 4.1.5** This process shall be facilitated by transferring surpluses into and transferring deficits from the Budget Appropriation Unexpended reserve account or the Municipal Income Stabilization reserve
- 4.1.6** Expenditures approved in the multi-year operating budget may be reallocated to another year within that multi-year budget if the project is not completed in the expected year. If it is fiscally appropriate, a project budgeted in a future year may be moved to a current year.
- 4.1.7** Administration and council will estimate its annual revenues by an objective, analytical process, utilizing trend, judgmental and statistical analysis as appropriate. Revenue estimates adopted by council must be conservative.
- 4.1.8** Administration and council will practice cause and effect budgeting which means when a particular condition or event requires increased charges, those charges will be implemented immediately rather than phasing them in over a period of time.
- 4.1.9** One-time revenues, not expected to be received annually, will not be used to fund annual expenditures. These revenues will be used to cover current or future one-time expenditures.
- 4.1.10** Administration and council will avoid budgetary and accounting procedures which balance the current budget at the expense of future budgets.
- 4.1.11** Capital maintenance items will be funded from the operating budget rather than the capital budget. Annual operating budgets will provide for adequate maintenance of current assets and infrastructure.
- 4.1.12** CAO Discretionary Fund – a contingency amount will be established to provide for non-recurring unanticipated expenditures. This amount will be approved in the multi-year operating budget process. Expenditures made under this fund are governed as per Policy No. 106-13 Accounts Payable/Cheque Issue/Expenditure Policy Section 4.

## **4.2** Capital Budget

**4.2.1** Expenditures approved in the multi-year capital budget may be reallocated to another year within that multi-year budget if the project is not completed in the expected year. If it is fiscally appropriate, a project budgeted in a future year may be moved to a current year.

**4.2.2** Revenue – interest earned on reserves shall be transferred to the following reserve accounts in the order below:

**4.2.2.1** -113,000 Arena Building reserve account number 7103004760

**4.2.2.2** - remaining interest to a maximum of \$137,000 to Common Equipment Depreciation reserve account number 3100004760

**4.2.2.3** – remaining interest, if any, to the Capital Investment Fund reserve account number 0000004760

## **4.3** Utility Financial Policy

**4.3.1** Utilities shall be self-sustaining – Council shall set fees and user charges for each utility fund at a level that fully supports the total direct and indirect costs of the utility.

**4.3.2** Revenue stabilization reserves shall be established for each utility the primary purpose of which is to set aside funds for unanticipated shortfalls in revenue or unexpected or emergency expenditures.

**4.3.2.1** Surpluses shall be transferred into Revenue Stabilization Reserves for each utility

**4.3.2.2** Deficits shall be recovered from the Revenue Stabilization Reserves for each utility

**4.3.2.3** Funds may be used from one utility Revenue Stabilization Reserve to cover deficits of another utility if required.

## **5.** End of Policy