

CITY OF SASKATOON COUNCIL POLICY

NUMBER
C03-001

POLICY TITLE <i>The Budget Process</i>	ADOPTED BY: <i>City Council</i>	EFFECTIVE DATE <i>September 7, 1999</i>
ORIGIN/AUTHORITY <i>Legislation and Finance Committee Report No. 3-1994, City Commissioner's Report No. 2-1998 and Administration and Finance Committee Report No. 13-1999</i>	CITY FILE NO. <i>CC 1700-6 CK 1700-0</i>	PAGE NUMBER <i>1 of 10</i>

1. PURPOSE

To ensure an orderly and timely translation of civic programs into resource, expenditure, and revenue requirements and to provide a basis for enforcing accountability for the proper and prudent management of public funds.

2. DEFINITIONS

2.1 Program - any group of resources and activities, and their related direct inputs undertaken pursuant to a given objective or set of related objectives. Programs represent attempts by the City to resolve social and economic problems, issues and concerns in the community.

2.2 Service Level - a measurable statement of the quality, quantity, cost and timeliness of goods/services provided by a program to a specified target group.

2.3 Budget Documents - the primary budget documents shall include:

- a) Operating Budget Estimates ("Operating Budget").
- b) Capital Budget and Four Year Capital Plan ("Capital Budget").

These documents are summaries of more detailed support documents.

3. POLICY

The City's Budget Process will be program oriented with emphasis placed on the delivery of prescribed service levels within annual expenditure limits set by City Council. The Process will be flexible enough to accommodate the political, administrative and legal requirements of the Corporation. It will be coordinated to ensure compatibility with the City's internal financial information system capabilities and with the reporting requirements of external

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bodies. The Program Overview Manual will be updated annually consistent with revised service levels approved by City Council.

3.1 Budget Process - Overview

The annual Budget Process involves:

- a) Update and distribution of the Budget Procedures Manual.
- b) The development of Budget Guidelines and Directives to facilitate the preparation of budget estimates.
- c) Estimating resource requirements (i.e. labour, materials, equipment, services, etc.).
- d) Estimating program expenditures.
- e) Estimating revenues.
- f) The preparation of justification reports for capital construction projects with a total estimated project cost in excess of \$500,000.
- g) The preparation and approval of official budget documents.
- h) The monitoring and control of operating and capital revenues and expenditures as they relate to budget.

3.2 Guidelines

Senior management and/or City Council will provide the Administration with formal "guidelines" for the detail preparation of budget estimates. The guidelines will acknowledge and be responsive to the financial limitations of the Corporation, clarify Corporate objectives, outline new program initiatives and reflect the overall priorities of City Council.

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3.3 Operating Programs

a) Estimating Expenditures

Expenditure budget documents shall be prepared by departments and shall be supported by:

- i) Appropriate performance indicators such as service level, productivity and workload as outlined in the Program Overview Manual.
- ii) A list of the significant resources (i.e. staff, equipment, etc.) required to produce and provide the applicable goods and services.
- iii) Cost estimates of the resources required.

Departments must be sufficiently knowledgeable of the relationship between program service levels and program expenditures to be able to assess the impact of expenditure adjustments that may be imposed by Council or Senior Management.

b) Estimating Revenues

Revenue budget documents shall be prepared by departments and shall be supported by:

- i) Proposals to revise fees and charges outlining philosophy of revenue, options available, and recommended rate.

c) Accountability

Civic Departments will be responsible for implementing and delivering programs and will be held accountable for achieving approved service levels within the approved budget.

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d) Performance, Measurement, Evaluation and Reporting

The performance of all civic programs will be measured, evaluated and reported in terms of:

- Approved revenues and expenditure levels.
- Approved service levels.

i) The annual budget process will include provision for measuring past performance in terms of:

- Meeting approved revenue and expenditure levels.
- Meeting program service levels.
- Productivity.

ii) Operational audits will be carried out by Audit Services when required, for the purpose of determining the extent to which adequate controls have been provided to ensure the achievement of approved service levels and productive use of resources.

iii) Program Evaluations will be carried out by departments for the purpose of addressing concerns relating to program rationale and the achievement of program objectives and of developing measurable program service level standards.

iv) The City Comptroller will collect data from departments and generate reports forecasting expenditures and revenues and any associated variances for control and monitoring by the department and City Council.

e) Exception to Approved Budget

Each change in the approved Budget requires the appropriate prior authorization. The following authorizations shall apply:

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i) Service Level Changes

Authorization is required from City Council for all changes in service level (including the addition/deletion of programs) from that approved in the Operating Budget.

ii) Over-expenditures/Revenue Shortfalls

For all revenues, over-expenditures and expenditure reallocations which do not affect the service level from that approved in the Operating estimates, the following authorization is required:

- General Manager may approve a budget variance provided the variance can be absorbed within the Department's total budget.
- City Manager may approve a budget variance provided the variance can be absorbed within the City's total budget.
- City Council approval is required when the variance cannot be absorbed within the City's total budget.

iii) Under-expenditures/Unanticipated Revenues

Unexpended operating funds or revenue increases may, subject to the authorization levels in (ii) above, be used to offset over-expenditure requests.

Under-expenditures of staff compensation (i.e. salaries and benefits net of related rehiring costs) occurring as a result of vacancies in permanent and temporary staff positions may be used by General Managers, the City Manager or City Council (per authorization levels specified in 3.3(e)(ii) above to offset over-expenditures requests.

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3.4 Capital Projects

a) Planning and Budgeting

A decision to undertake a capital project will be made objectively, with full knowledge of all relevant facts, and based on a thorough public needs assessment.

- i) Senior management will review all proposals and recommend program and capital project priorities to City Council.
- ii) A project may request budgeted funding over more than one year and should reflect the anticipated timing of expenditures. Each year requires City Council approval. Funds approved by City Council remain in place until project completion.
- iii) Prior approval of all General Managers (i.e. all General Managers who are involved in or have an interest in the project and who will be affected by changes to the project) is required for any and all changes in the purpose, objectives, scope, cost or timing.

b) Estimating Project Costs

Capital projects proposals are to be accompanied by complete, reliable and realistically attainable estimates.

- i) Each estimate will be based on the most current information available. The program department is responsible and will be held accountable for providing City Council with accurate project estimates.
- ii) Proposals will identify appropriate source(s) of funding.
- iii) Each proposal should indicate what impact the project will have on the operating budget (i.e. cost to operate and maintain the capital asset).

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- iv) Each capital construction project shall include, where necessary, reasonable provision for contingencies.
- The amount set aside for contingencies shall correspond with industry standards and shall not exceed 10% (or a percentage determined by City council) of the total project estimated cost.
 - The contingency fund may, unless otherwise directed by City Council, be used only to compensate for unforeseen circumstances that arise requiring additional funds to complete the project according to the approved project scope and approved identified needs.

c) Justification Report

City Council can request a Justification Report for any project in the Five Year Capital Budget/Plan. The client department must submit, as soon as a project is identified, a formal Justification Report for all capital projects:

- proposed for the current budget year,
 - with a total estimated project cost in excess of \$500,000, and
 - new to the capital budget/plan.
- i) All justification proposals must comply with the guidelines on minimum information requirements (refer to the Budget Procedures Manual). In some cases, a formal program evaluation will be required to bring forward appropriate evidence indicating the extent to which program objectives are being and/or will be met.
- ii) Prior to approval of the project for inclusion in the Capital Budget, updates to the Justification Report should be submitted via the same route as the original report where changes are to be made to the purpose, objectives, scope, cost or timing of the facility/asset under construction; or to the resulting program.

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d) Exception to Approved Budget

Each change in the approved Budget requires the appropriate prior authorization. The following authorizations shall apply:

i) Service Level Changes

Authorization is required from City Council for all changes in service level (purpose, objectives, scope or completion date of the project, and these changes are significant enough to affect the service level of the association program(s)) from that approved in the capital estimates.

Changes which do not affect service level (completion date, design, performance and/or quality of the project from the original specifications, regardless of whether or not such changes affect the total cost of each project) require authorization from the City Manager.

ii) Over-expenditures

Prior approval by City Council is required to over-expend previously approved capital projects where the anticipated over-expenditure exceeds \$100,000. All other over-expenditures require the approval of the City Manager. In all cases where an appropriate source of funding for the over-expenditure from other than the current year's general revenues cannot be identified, City Council approval is required.

All over-expenditure requests should be accompanied by a summary of all previous changes to the approved budget. (Refer to Budget Procedures Manual)

iii) Under-expenditures

Under-expenditures of capital funds resulting from projects completed below budget shall, subject to provisions in The Urban Municipality Act, be returned to their source in the same ratio as their original contribution.

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In the case of capital projects which have not been substantially started (i.e. in the opinion of the City Comptroller by the end of the fiscal year, all financing shall be returned to the original source, as specified above, and the project shall be subject to reconsideration via the Capital Budget process.

4. RESPONSIBILITIES

4.1 City Comptroller is responsible for:

- a) Coordinating the preparation of annual budget documents for City Council review.
- b) Ensuring budget proposals comply with budget guidelines and corporate policy.
- c) Providing objective commentary on budget submissions.
- d) Preparing expenditure and revenue performance reports in relation to approved budgets.
- e) Determining whether or not projects have been substantially started, as per Section 3.4(d)(iii) of this Policy.

4.2 Civic Departments are responsible for:

- a) The preparation of annual departmental budgets within the corporate guidelines prescribed by City Council.
- b) Preparing and submitting periodic forecasts of expenditures and revenues.
- c) Reporting anticipated over-expenditures and/or revenue shortfalls.

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4.3 Manager of Finance is responsible for:

- a) Ensuring compliance with this Policy.
- b) Recommending changes to this Policy.
- c) Overall coordination of the annual Budget Process.
- d) Reporting expenditures and revenue performance, to City Council, in relation to approved operating budget.

4.4 City Manager is responsible for:

- a) Approving over-expenditures as per Sections 3.3(e)(ii) and 3.4(d)(i) and (ii) of this Policy.
- b) Providing a corporate review of all budget proposals before submission to Council.
- c) Reviewing expenditures, revenues, and forecasts in relation to approved budgets and taking appropriate action.

4.5 City Council is responsible for:

- a) Approving the final Budget and the corresponding allocation of funds among programs.
- b) Reviewing performance in relation to approved budget.