

BUDGET POLICIES

GFOA

1. Recommended Budget Policies

Purpose: To establish a guide for budgeting practices.

Policy: The recommended budget practices of the Government Finance Officers Association (GFOA) shall be used as a guide for the City budget practices. The budget shall report if the City has instituted or plans to institute each practice.

Adopted: September 25, 2000/Implemented November 2000

COMMUNITY ASSESSMENT

2. Stakeholder Concerns

Purpose: To direct the limited resources of the City in a manner consistent with the concerns, needs and priorities of stakeholders of the City.

Policy: The City shall take the steps necessary to identify the top concerns, needs and priorities of stakeholders. The concerns and needs shall be determined by research including interviews, meetings, surveys, public submissions and other mechanisms.

Adopted: September 25, 2000/Implemented April 2001

3. Community Profile

Purpose: To ensure the City adequately understands the issues and trends affecting the community so that Council can establish the most appropriate goals.

Policy: The City shall prepare annually a report of issues and trends as a basis for formulating Council goals. Council shall ensure that the report is reasonable, complete and included in the budget.

Adopted: September 25, 2000/Implemented April 2001

INTERNAL ASSESSMENT

4. Program Assessments

Purpose: To identify and assess programs provided by the City, their intended purpose, and factors that could affect their provision in the future.

Policy: For each City program, the budget shall describe the purpose, beneficiaries and needs served, success in achieving goals, and the issues, challenges and opportunities affecting their provision in the future. The City shall establish a five-year schedule to review specific programs as identified by Council.

Adopted: September 25, 2000/Implemented April 2001

5. Capital Asset Assessment

Purpose: To identify and assess the City's capital assets, including the condition of the assets and factors that could affect the need for or ability to maintain the assets in the future.

Policy: Council shall establish standards for the acceptable condition of capital assets.

An inventory of capital assets shall be maintained that describes the condition of the assets, deferred maintenance and needed improvements.

Management shall report on the need for and condition of the capital assets. The report shall discuss community needs and priorities, deferred maintenance, funding issues, changes in technology and other factors considered relevant. Council shall ensure that the report is reasonable, complete and included in the budget.

Adopted: September 25, 2000/Implemented April 2001

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6. Management Systems Assessment

Purpose: To identify and analyze the City's organization and management systems, including system strengths and weaknesses and factors that could affect these systems in the future.

Policy: The City shall prepare annually a report of the City organization and management system. The City shall establish a five-year schedule to review specific aspects of the City organization and management system as identified by Council.

Adopted: September 25, 2000/Implemented April 2001

Council shall ensure that budget goals are widely disseminated and reviewed with stakeholders on an ongoing basis.

Adopted: September 25, 2000/Implemented May 2001

BUDGET GOALS

7. Council's Budget Goals

Purpose: To define the priorities and preferred future state of the community as a basis for making resource allocation decisions during the budget process.

Policy: Council shall adopt three-year budget goals at the start of each Council term and review budget goals annually.

Council shall adopt budget goals that:

1. reflect stakeholder concerns, needs and priorities;
2. reflect the community's economic, social and environmental conditions, challenges and opportunities;
3. are sufficiently specific to help define the programs to be emphasized and make difficult resource allocation decisions in the budget process; and
4. are prioritized.

FINANCIAL POLICIES

8. Stabilization Funds

Purpose: To maintain an adequate level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures.

Policy: Council shall establish and maintain fund balances as follows:

1. General Fund, Solid Waste Management Fund and Water & Sewer Fund: no less than 10% and no more than 15% of budgeted expenditures;
2. Land Development Fund: no less than nil;
3. Service Connection Failure Assistance Fund: no less than nil;
4. Capital Fund: no less than nil; and
5. Reserve Fund: amounts sufficient to fund expenditures in accordance with the Capital Improvement Plan

Fund balances may be used at Council's discretion for emergencies, unanticipated economic downturns, and one-time opportunities. If feasible, minimum fund balances shall be restored in the following year and, certainly, within five years of use.



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The budget shall include a five-year plan to attain minimum fund balances by December 31, 2008 and thereafter maintain minimum fund balances.

Adopted: June 27, 2005

9. Fees and Charges

Purpose: To identify the Cost of Service and portion of costs recovered from fees for each program.

Policy: To allow for a better understanding of the Cost of Service and to consider the appropriateness of established fees.

The budget shall identify:

1. the Cost of Service and the amount recovered from fees for each program; and
2. the policy for each program regarding the recovery of Cost of Service.

Fees shall be established to recover 100% of Cost of Service unless Council clearly sets fees using a different basis.

Fees required to recover Cost of Service may be reduced by government transfers allocated to the program.

Adopted: September 25, 2000/Implemented November 2001

10. Debt Issuance and Management

Purpose: To ensure that debt is issued and managed prudently in order to maintain a sound fiscal position.

Policy Long-term debt may be issued to finance capital acquisitions, finance land development and refinance existing long-term debt. Long-term debt may not be issued to finance operating costs.

The maximum term of any debt, except debt for land development, shall be the useful life of the asset to a maximum of 25 years. The maximum term for debt for land development shall be 10 years.

Debt limits shall be as follows:

1. the total amount of outstanding debt shall not exceed 5% of the total current assessed value of all property in which taxes or grants are paid;
2. temporary borrowing shall not exceed \$10 million; and
3. total annual debt servicing costs shall not exceed 10% of the net amount of total revenue less government transfers. Grants-in-lieu of taxes shall not be considered government transfers.

All new debt issued, including temporary borrowing, long-term borrowing, capital leases and other forms of debt, shall be approved by by-law and issued in accordance with the standard purchasing policies of the City.

Debt to be repaid using collections of unpredictable revenue, such as land sales, shall be supported by a cash flow projection that demonstrates that collections of unpredictable revenue will be sufficient to make principal and interest payments.

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The projection shall be prepared in accordance with GAAP and use assumptions that reflect the most probable set of economic conditions and planned courses of action. The projection shall use conservative estimates and, as much as possible, be supported by and reference third party analysis and information.

The importance of matching the timing of debt proceeds to expenditures and of debt-servicing to revenue shall be considered less important than the ability to service the debt and minimize the net present value of cash flows. The factors to be used to determine the date of issue and the structure of debt are:

1. the future availability of cash to service the debt; and
2. minimizing the net present value of all cash flows affected by financing, including interest revenue, temporary borrowing and all long-term debt.

The City may issue debt in the fiscal year immediately subsequent to the fiscal year in which the capital asset is acquired, if the financial benefit is clearly demonstrated.

The budget shall include a plan to comply with the prescribed debt limits by December 31, 2005 and thereafter maintain the prescribed debt limits.

Adopted: September 25, 2000/Implemented November 2001

11. Debt Level and Capacity

Purpose: To ensure that outstanding and planned debt levels do not exceed an amount that can be supported by the existing and projected tax and revenue base.

Policy: The budget shall include an analysis of debt capacity with the following information:

1. statutory limitations;
2. evaluation of trends in the City's financial performance including availability and reliability of net revenues expected to service debt;
3. disclosure of five-year projections of measures relevant to determining debt capacity.

The budget shall include an analysis of capital improvement options using the following financing alternatives:

1. debt as required by capital improvement plans;
2. maximum allowed levels of outstanding debt and annual debt-servicing; and
3. no new debt.

Adopted: September 25, 2000/Implemented November 2001

12. One-Time Revenues

Purpose: To limit the use of one-time revenues for ongoing expenditures.

Policy: One-time revenues and their use shall be clearly identified in the budget. One-time revenues shall include amounts exceeding \$50,000 from infrequent sale of capital assets, infrequent revenue from land development and non-recurring grants. One-time revenues may be available for more than one year, but are expected to be non-recurring.



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One-time revenues may be used only to increase fund balances, decrease debt or for non-recurring expenditures such as capital acquisitions, one-time projects, and grants. The budget shall disclose estimated future operating costs and commitments, if any, from non-recurring expenditures.

Adopted: September 25, 2000/Implemented November, 2001

13. Unpredictable Revenues

Purpose: To consider how significant variation in revenue will affect the City's financial outlook and ability to operate programs in the current and future budget periods.

Policy: The budget shall identify each unpredictable revenue source. Unpredictable revenue sources are those revenues with a more than normal risk of varying from budget by more than \$50,000. The collection of revenue shall be considered when determining whether revenue is unpredictable.

The budget amount for each unpredictable revenue source shall be the City's best estimate at the time of the budget. The budget shall include a range of possible revenue amounts including a conservative estimate and optimistic estimate.

For each unpredictable revenue source, the budget shall identify those aspects of the revenue source that makes the revenue unpredictable. Most importantly, the budget shall identify the expected or normal degree of volatility of the revenue source.

Council shall set out in the budget a set of tentative actions to be taken if one or more sources generate revenues substantially higher or lower than projected.

Adopted: September 25, 2000/Implemented November, 2001

14. Balancing the Budget

Purpose: To balance the budget under normal circumstances and provide for disclosure when a deviation from a balanced budget occurs.

Policy: The budget shall be balanced except when reasonably unforeseeable circumstances occur. Examples of unforeseeable circumstances include sudden and severe fluctuations in revenue, major emergency expenditures and significant changes in the value of assets.

The budget shall be considered balanced if:

1. fund balances are within the minimum and maximum limits prescribed in the policy on Stabilization Funds; or
2. the change in balance of each fund meets or exceeds the plan to establish minimum fund balances as prescribed in the policy on Stabilization Funds.

The budget shall disclose whether the budget is balanced. If the budget is not balanced, the budget shall disclose the reasons for not balancing the budget.

The change in balance of each fund shall be determined in accordance with generally accepted accounting principles for local governments and the Financial Administration By-law.

Adopted: September 25, 2000/Implemented November, 2001

15. Revenue Diversification

Purpose: To ensure the City has diverse revenue sources.

Policy: The City shall identify existing potential sources of revenue greater than \$100,000 and consider options to enhance the diversity of revenue sources.

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The City shall examine sources of revenue to determine:

1. the sensitivity of the amount of revenue to changes in rates;
2. the fairness of the tax or fee; and
3. administrative aspects of the revenue source.

Adopted: September 25, 2000/Implemented November, 2001

16. Contingency Planning

Purpose: To establish a financial plan to assist the City to take timely action and aid in the overall management of emergencies and unexpected events.

Policy: The budget shall disclose the amount, sources and availability of funds that could be directed to the costs of emergencies, natural disasters or other unexpected events.

The budget shall disclose a general financial plan to restore the financial position of the City.

Adopted: September 25, 2000/Implemented November, 2001

POLICIES AND PLANS

17. Program Design

Purpose: To guide program design by developing and adopting policies and plans necessary to implement Budget Goals.

Policy: Council shall provide direction on how to achieve Budget Goals by adopting City-wide policies and plans to guide the design of specific programs.

The policies and plans shall be sufficiently specific to provide adequate guidance for programs design.

The policies and plans shall consider the assessment of the community, the internal assessment, Council's Budget Goals, and the financial policies.

The policies and plans shall include service delivery issues, performance standards, time frames from achievement of goals and other guidance considered beneficial to design programs.

Adopted: September 25, 2000/Implemented November, 2001

18. Capital Asset Management

Purpose: To guide capital asset management by adopting policies and plans for capital asset acquisition, maintenance, replacement and retirement.

Policy: Council shall consider the Capital Assets Assessment and Council's Budget Goals when adopting policies on capital asset management.

Council shall adopt annually five- and twenty-year capital improvement plans. Council shall consider whether the planned level of capital expenditures is adequate to maintain the standards set for capital assets. Council shall not unduly defer capital expenditures.

Council shall provide adequate Capital fund revenue by including, at least:

1. All block funding, except block funding allocated to the Land Development Fund. Block funding shall not be allocated or transferred to the General Fund, the Water & Sewer Fund or the Solid Waste Management Fund;



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2. Equal to the greater of
 - a) All municipal taxes from mining that are collected or considered collectable, plus 10% of non-mining taxation revenue. Non-mining taxation revenues equals non-mining municipal taxes, net of discounts and exemptions, plus all grants-in-lieu; or
 - b) Debt-Servicing Costs on long-term debt (excluding land-related debt-servicing costs)
3. 30% of water and sewer revenue;
4. 10% of solid waste management revenue; and
5. Local improvement charges.

Infrastructure and land not for resale shall be funded by capital revenue and/or debt, and not by reserves. Capital assets other than infrastructure and land not for resale shall be funded by reserves.

The City shall set aside in reserves the amount necessary to replace capital assets:

1. if the life of the asset is no more than 20 years, over the remaining life of the asset; or
2. if the life of the asset is more than 20 years, over the last 20 years of the life of the asset or the remaining life of the asset, if less.

The City shall set aside in reserves the amount necessary to acquire new capital assets over the period available once Council approves the plan to acquire the new asset.

Adopted: June 27, 2005

19. Budget Type, Presentation and Time Period of the Budget

Purpose: The type of budget, time period covered and the manner of presenting materials in the budget document have a significant practical impact on the City's approach to planning, control and overall management of its programs, services, and finances and on the quality of information provided to stakeholders.

Policy: The *Cities, Towns and Villages Act* states that an annual budget must be adopted by Council prior to the end of the fiscal year; therefore the City of Yellowknife will prepare a three-year rolling budget document which meets the criteria of the GFOA's Budget Presentation Award Program on the basis of program/line item combination (which is currently being used) and the second- and third-year budgets shall be adopted in principle in the first year and then adopted individually each year thereafter.

Adopted: June 25, 2001

20. Amending the Budget

Purpose: The City recognizes that many factors, extraordinary or not, such as changes in Council's goals and objectives, collective bargaining agreements, performance measurements and economic stability, may impact the City's financial position on an annual basis.

Policy: Prior to City Council adopting the second- and third-year budgets, Administration will prepare a summary of significant changes and events that have occurred which may impact on second- and third-year budgets and will provide proposed revisions to the adopted budget in principle.

Adopted: June 25, 2001

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21. Performance Measures – Financial Condition

Purpose: To monitor and evaluate the financial condition of the City.

Policy: The financial health of the City is critical to its ability to meet the needs of its stakeholders.

Financial condition should be evaluated to identify potential problems and any changes that may be needed to improve performance over both the short and long terms.

Financial indicator measures are developed to monitor financial conditions and achievement of explicitly set financial goals.

Adopted: March 24, 2003

22. Performance Measures – Capital Program Implementation

Purpose: To monitor, measure and evaluate capital program implementation.

Policy: The status of significant capital projects will be monitored to ensure progress as planned, problems (such as delays in key milestones and cost overruns) are identified early enough to take corrective action, funds are available when needed, and legal requirements are met.

Adopted: March 24, 2003

23. Performance Measures – Budgetary Performance

Purpose: To guide program design by developing and adopting policies and plans necessary to implement budget goals.

Policy: Regular monitoring of budgetary performance provides an early warning of potential problems and

gives decision makers time to consider actions that may be needed if major deviations in budget-to-actual results become evident. It is also an essential input in demonstrating accountability.

Budget-to-actual or budget-to-projected actual comparisons of revenues, expenditures, cash flows, and fund balances should be reviewed periodically during the budget period year. Staffing levels should also be monitored. Comparisons for, at minimum, the current year should be included in the budget document and be generally available to stakeholders during discussions related to budget preparation and adoption.

Adopted: March 24, 2003

24. Performance Measures – External Factors

Purpose: To monitor, measure and evaluate external factors that may affect budget and financial performance, and achievement of goals.

Policy: Factors outside the City's control such as the national or territorial economy, demographic changes, statutory changes, mandates, and weather may affect achievement of stated goals. Monitoring these factors helps the City evaluate and respond to the effect of these external influences on goals, programs and financial plans.

External factors likely to impact achievement of goals should be identified and monitored regularly. Results of the analysis should be factored into the assessment of program and financial performance, and considered when making adjustments to these programs. Trends and significant issues may be described in reports to stakeholders discussing program, budget, and financial performance.



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An assessment of external factors will be reported on in summary form and available to stakeholders. The Economic Outlook report should include, but not be limited to: population projections, employment statistics, Consumer Price Index, new construction values, housing starts, and Gross Domestic Product.

Adopted: March 24, 2003

25. Performance Measures – Stakeholder Satisfaction

Purpose: To monitor and evaluate stakeholder satisfaction with programs and services.

Policy: The main contact with a government for many stakeholders is through the programs and services it provides. It is important for the City to be aware of and respond to stakeholder perceptions of these programs and services. Stakeholder perceptions of the quality of public services is an important factor in their overall perception of the City and their level of confidence in the City's decision-making.

The City will use a variety of ways to access stakeholder satisfaction, including public forums or hearings, focus groups, and surveys. At least biennially, the City will conduct a Citizen Survey which formally assesses satisfaction with programs and services. The Citizen Survey, and any other source or input, will be reported upon using the appropriate technology, and be available to all stakeholders.

Adopted: March 24, 2003

26. Performance Measures – Program Performance

Purpose: To monitor, measure, and evaluate the performance of programs and services the City provides.

Policy: Government functions, programs, and activities should be periodically reviewed to determine whether they are accomplishing the intended goals and objectives.

Performance measures, including efficiency and effectiveness measures, should be presented in basic budget material, including the operating budget document, and should be available to stakeholders. Performance measures should be reported using actual data, where possible. At least some of the measures should document progress toward achievement of previously developed goals and objectives. More formal reviews, and documentation of these reviews, should be carried out as part of the overall planning, decision-making and budget process.

Adopted: March 24, 2004

27. Administration Fees

Purpose: To set administration fees for interfund transfers to the General Fund.

Policy: Council shall transfer to the General Fund an administration fee of:

1. 15% of revenue from the Water and Sewer Fund;
2. 10% of revenue from the Solid Waste Management Fund;
3. a minimum of \$100,000 from the Land Development Fund, subject to achieving the minimum fund balances set out in the Stabilization Funds policy.

Adopted: June 27, 2005

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