

Purpose

To establish a Budget Policy that defines a clear and sustainable framework for prudent financial management of the City's resources.

Policy

The City of Yellowknife prepares a three-year budget that is consistent with Council's goals and objectives, reflective of stakeholders' needs, based on best practises, and in compliance with all applicable legislation and related by-laws. It incorporates the guidance, principles, and values documented in the City's Asset Management Plan, Long-Term Financial Plan, Fleet Replacement Plan, Fees and Charges Policy, Information Technology Evergreen Strategy, Carry Forward Policy, and further documents that may be deemed necessary in developing the budget. It is also influenced by external factors, including economic, social and environmental conditions, and evolving challenges and opportunities.

The budget provides a comprehensive plan for delivering efficient services to stakeholders in a manner that aligns resources with the policies, goals and objectives of the City. It is instrumental in ensuring the ongoing financial health of the City.

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

The City of Yellowknife shall prepare a three-year rolling budget document. The second and third year budgets shall be adopted in principle in the first year and then adopted individually each year thereafter.

II. Balancing the Budget

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 Stabilization Funds policy statement; or
2. the change in balance of each fund meets or exceeds the plan to establish minimum fund balances as prescribed in the Stabilization Funds policy statement.

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 budget shall show the change in balance of each fund.

III. Stabilization Funds

Council shall establish and maintain fund balances as follows:

1. General Fund – no less than 10% and no more than 15% of budgeted expenditures;
2. Solid Waste Management Fund – no less than 5% of budgeted expenditures;
3. Water & Sewer Fund – no less than 5% of budgeted expenditures;

BUDGET POLICY

4. Land Development Fund – amount sufficient to fund future land development;
5. Service Connection Failure Assistance Fund – no less than Nil;
6. Capital Fund – amount sufficient to fund expenditures according to the Asset Management Plan; and
7. Reserve Fund – amount sufficient to fund expenditures according to the Long-Term Financial Plan and the Asset Management Plan.

Fund balances may be used at Council’s discretion for emergencies, unanticipated economic downturns, and one-time opportunities. Minimum fund balances shall be restored in the following year or according to the Long-Term Financial Plan.

IV. Asset Management

Asset Management shall be implemented according to the Asset Management Plan and the Ten-Year Capital Plan adopted by Council. The annual budget shall be prepared in accordance with these Plans, and shall include sustainable transfers from the General Fund, Water and Sewer Fund, and Solid Waste Management Fund to the Capital Fund.

V. Revenues

The City shall continuously seek new and alternative revenue sources in order to maintain a diversified and stable revenue system to shelter the City from fluctuations in any one revenue source.

The City shall estimate its revenues through an objective, analytical process that utilizes trends and judgemental and statistical analysis as appropriate.

One-time revenues should not be used for ongoing expenditures. One-time revenues may be used only to increase fund balances, decrease debt, or for non-recurring expenditures such as capital acquisitions and one-time projects. One-time revenues shall be noted in the budget.

The budget shall disclose any estimated future costs and commitments arising from expenditures funded by one-time revenues.

VI. Debt Management

Long-term debt may be acquired to finance capital acquisitions, finance land development and refinance existing long-term debt. Long-term debt may not be used 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 15 years.

Debt limits shall be as follows:

1. The total amount of outstanding debt shall not exceed two times the municipal corporation’s revenue for a fiscal year;



BUDGET POLICY

- 2. Short-term borrowing shall not exceed 15% of the municipal corporation's revenue for prior fiscal year; and
- 3. Total annual debt servicing costs shall not exceed 25% of the municipal corporation's revenue for a fiscal year.

VII. Debt Level and Capacity

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; and
- 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 the City's Asset Management Plan;
- 2. maximum allowed levels of outstanding debt and annual debt servicing; and
- 3. no new debt.

VIII. Administration Fees

The City shall transfer the annual estimated administrative costs from the Water and Sewer Fund, Solid Waste Management Fund and Land Development Fund to the

General Fund. The estimated administrative costs shall be reviewed annually as part of the budget preparation process.

IX. Policy Compliance

If any aspect of the budget is not in compliance with the Budget Policy, this shall be disclosed in the Budget Document, along with the reason for the non-compliance.

THIS PAGE IS LEFT BLANK INTENTIONALLY

