

INTRODUCTION

1.0 PURPOSE

The Municipality of the District of East Hants (“the Municipality”) strives for a high level of public confidence in its budgeting process and recognizes that the resulting tax burden has an impact on the overall financial burden of the tax payers of the Municipality.

2.0 OBJECTIVES

The Municipality of East Hants (hereafter referred to as the “Municipality”) is committed to:

- a) preparing budgets in a fair, open, consistent and transparent manner, to establish the confidence of the tax payer and other stakeholders;
- b) complying with the *Municipal Government Act* and other applicable laws or Policies and Resolutions of Council;
- c) promoting strategic business planning;
- d) using practical application of budget management tools to ensure municipal operations function is an efficient and effective manner;
- e) being accountable for budget decisions.

3.0 SCOPE

This policy applies to budget activity of the Municipality.

This Policy applies to budgeting by the Municipality for Operating, Capital and Reserve funds including budgets for the East Hants Water Utility.

The Chief Administrative Officer (CAO) of the Municipality has authority to manage the Municipality within approved budgets, authority under this Policy and in compliance with any other Council policy or resolution in effect.

The CAO is responsible for ensuring compliance with this policy. The CAO may delegate his/her authority to spend approved budgets to any employee of the Municipality. All municipal personnel to whom the CAO delegates authority to make

expenditures within approved budgets, shall comply with all applicable By-laws, Policies or Resolutions of Council, the Public Procurement Act, Trade Agreements and with any other restriction imposed by law. Failure to adhere may result in a temporary or permanent loss of budgeting privileges or in more extreme cases result in disciplinary action and/or dismissal.

4.0 DEFINITIONS

For the purposes of this policy, the following definitions are provided:

| Term | Definition |
|---------------------|---|
| Capital Budget | Budget document containing the capital plan for current and future years. Outlines the source of funding for each project and anticipated spending and timelines. |
| Council Policy | A resolution of the council that is required, pursuant to the Municipal Government Act, to be recorded in the by-law records of a municipality, except where the context otherwise requires. |
| Effective From Date | Date when the policy is implemented and governed across the Municipality of East Hants. |
| Operating Budget | Budget document containing operating costs for day to day operations, transfers to other governments and agencies, transfers to reserves and other fiscal expenditures. This document as presented to Council, with all amendments made by Council, is used to calculate the rates by Council. |
| Regulation | Regulations within the meaning of the provincial Regulations Act, are a rule, order, proclamation, regulation, bylaw, form, resolution or tariff of costs or fees made in the exercise of a legislative power conferred by or under an Act of the Legislature. They outline rights and create duties, obligations and responsibilities for the persons that are affected by them. Regulations have the same binding legal effect as Acts made by the Nova Scotia Provincial Legislature, but are not made by the Legislature. The Legislature passes an Act in which it hands over its law-making power to another person or body, such as the Minister. The minister then exercises that law-making power by making regulations. Under the Municipal Government Act, the Minister of Service Nova Scotia and Municipal Affairs makes regulations for Municipalities. |
| Reserves | Reserve funds are established by Council by setting aside money to help offset future financing requirement; when required, the funds are drawn upon to finance capital and operating expenditures as designated by Council or under the Budget Management Policy. |

POLICY

5.0 INTENT

The Municipality acknowledges that its taxpayers expect and have the right to receive open and transparent budgeting and on-going accountability for the financial interests of the Municipality from municipal personnel and Council. This policy is intended to provide directive to the re-allocation and over-expenditure of budgeted funds within the approved budgets of the Municipality.

The following policy statements are the directives and rules by which the Municipality of East Hants personnel must follow.

6.0 GOVERNANCE & THE BUDGET PROCESS

East Hants is governed by a Municipal Council and operates under the Council/Chief Administrative Officer (CAO) system. There is one Councillor elected for each of the electoral districts. As outlined in the Nova Scotia Municipal Government Act, it is the responsibility of the CAO to provide advice to Council and to administer the operations of the Municipality in accordance with the policies and programs approved by Council.

The fiscal year of the Municipality is April 1 - March 31. The annual budgeting process is preceded by a detailed business planning process that identifies priority initiatives for the upcoming fiscal year, based on the strategic directions previously established by Council.

Municipalities in Nova Scotia are not permitted to accumulate deficits. Municipal debt, with few exceptions, is permitted only for the acquisition of capital assets, which the Municipality defines as acquisitions of tangible capital assets greater than \$10,000 with an estimated useful life in excess of one year. A fundamental component of the Municipality's financial management plan is the establishment of various reserves intended to set funds aside on an annual basis for certain operating and capital expenditures in future years.

On an annual basis costs are established for programs and initiatives and are reflected in the operating and capital budgets (net of cost recovery from other sources). Tax rates are calculated to generate the revenue required to fund the various programs and services. These rates are influenced by the annual assessment levels for properties in the Municipality, as established annually through the Assessment Roll generated by the Nova Scotia Property Services Valuation Corporation (PVSC).

Municipal Council approves the municipal budget by way of setting the tax rates to be billed and approving the Capital Budget. These approvals must be done by motion of Council.

Water Utility rates are set through a rate review process which is a function of the Utility Review Board of Nova Scotia.

7.0 OPERATING BUDGETS

Once the Operating Budget has been set by motion of Council, the following management practices shall apply:

7.1 Operating Budget Reallocation

As determined necessary by the C.A.O and in keeping with the intent of the approved budget, the C.A.O. may authorize the reallocation of funds within the entire operating budget. To be "in keeping" with the intent of the approved budget is

taken to mean that funds will not generally be moved between major functional categories (General Government, Protective Services, Transportation, Environmental Health, Environmental Development, Leisure and Culture, Social and Family Services, Fiscal Services & Transfers), will not be reallocated in such a way that the level of any particular services is enhanced at the expense of another and will not fundamentally change what Council intended to be accomplished when they approved the budget.

7.2 Operating Budget Overruns

In any given year there will also be operating budget overruns that are unpredictable and unavoidable. Examples of such overruns include increases in amounts paid for transfers to other governments (Education, RCMP per officer and DNA costs, Regional Library, etc), as well as expenditures for services that are dependent on forces that are uncontrollable by staff (snow management impacted by weather conditions, EMO situations, decisions of Council for action but with no dollar value approved etc). Such cost overruns can be approved by the CAO without prior approval of Council and must be reported to Council as per Section 10 of this Policy.

The C.A.O. has additional authority to exceed budgets to a maximum of 10% of the current operations budget (including each area rate service) in any given budget year. The CAO has authority to expend these funds for any purpose that the Municipality has authority to spend but cannot use the funds to create new programs or services that are material in amount or that may be seen to commit the Municipality to material funding beyond the current fiscal year. These over expenditures will be reported to Council as per Section 10 of this Policy.

7.3 Expenditures from Reserve

The C.A.O may authorize expenditure for goods or services of an operating nature that were not identified in the Operating Budget provided:

- a. There are special reserves set aside specifically for such expenditures; and,
- b. The expenditure does not exceed \$15,000.

8.0 CAPITAL BUDGETS

8.1 Capital Budget Overruns

- a) The C.A.O. may authorize over expenditures of approved capital items so long as the total capital spend does not exceed 120% of the approved budget amount, not to exceed \$200,000 on any given project. This authorization is capped at 500,000 annually, for all capital projects combined. This will be done when it is reasonable to do so and

when options to achieve project completion are limited. It is understood that some capital items identified by one number in the budget will consist of multiple contracts for various phases of the particular project.

Exercising the C.A.O.'s authority to exceed a capital budget by more than \$20,000 will be reported to Council at the meeting following the decision. Approvals to exceed capital budget items by less than \$20,000 will be reported in conjunction with regular reporting as per Section 10.0 of this Policy; as well, interim reporting may be done at the discretion of the CAO.

- b) The CAO has authority to approve over-expenditures of approved capital projects (above those authorities outlined in section 8.1 (a)) in the following circumstances:
 - a. Procurement submissions compliant with the Municipal Procurement Policy have been received on a project related to sewer, water, sidewalks or landfill infrastructure, time is of the essence and the award of the tender/RFP would be otherwise held up to the detriment of the public interest such as delay in meeting regulatory standards, risk of cost increase from the delay in award, etc. In these circumstances the C.A.O is authorized to award overages up to 30% of the approved budget.
 - b. The project is the result of a petition process and prices obtained are within 30% of the original petition estimates.
 - c. A unit price contract has been awarded and the overage relates to an unforeseen or clearly advisable increase in units. In these circumstances the CAO is authorized to award overages up to 30% of the tender/RFP component.

The CAO shall not have the authority to approve overages under this section if it stems from a significant change in scope subsequent to the award of a contract.

Approvals to exceed capital budgets in these circumstances will be reported to Council at the meeting following the decision.

8.2 Expenditures from Reserve

The CAO may authorize expenditure for goods or services of a capital nature that were not identified in the Capital Budget provided:

- a. There are special reserves set aside specifically for such expenditures; and,
- b. The expenditure does not exceed \$15,000.

The C.A.O may authorize expenditure for goods or services of a capital nature that were not identified in the Operating Budget provided:

- a. There are special reserves set aside specifically for such expenditures; and,
- b. The expenditure does not exceed \$15,000.

8.3 Offsetting Contributions

The CAO may authorize expenditure of capital funds where the expenditure will be financed by an outside party (i.e. a developer, other level of government, agency, etc.) and where the expenditure is consistent with a prior action of Council (development approval, By-law, Policy, resolution, etc.).

9.0 OVER-EXPENDITURES IN EMERGENCY SITUATIONS

In an emergency situation the CAO is authorized to make reasonable and informed procurement decisions (Operating and Capital), which are determined by him/her to be necessary. Among other things such decisions may be deemed by the CAO to be necessary to protect the legal interests or to satisfy legal obligations of the Municipality, or involve a situation where failure to act could reasonably be expected to compromise Municipal confidentiality, cause economic disruption, or would otherwise be contrary to the public interest.

Authorizations for such expenditures are considered to be over and above the other authorities given in this Policy to exceed approved budget amounts; these must be reported to Council as per Section 10 of this Policy.

10.0 REPORTING

The CAO is responsible for timely reporting to Council on capital and operating budget variances and general/emergency related over-expenditure approvals. With the exception of reporting under Section 8.1 this will be done through reports to Council in September, December and June (for the prior year results). Interim reporting may also be done at the discretion of the CAO.

Section 8.1 requires reporting to the meeting following the decision being made to exceed a capital budget under this clause.

11.0 POLICY AND GUIDELINES

The CAO will ensure budgeting practices remain consistent with allowances of the *Municipal Government Act*.

The CAO will ensure a full set of budgeting guidelines are in place to guide municipal staff in budgeting and remaining in compliance with this Policy.

A copy of the Budget Administration Policy must be posted on the Municipality of East Hants staff and Council website.

GOVERNANCE

ROLES AND RESPONSIBILITIES

| Title/Role | Responsibilities |
|----------------------------------|--|
| Policy Owner | The policy owner (see Version Log Section) is responsible for ensuring that the policy is implemented and being followed. In addition, the policy owner is responsible for reviewing the policy on a yearly basis for relevancy and potential updates. |
| Municipality of East Hants Staff | All personnel that fall within the scope of this policy (see Scope Section) must follow the policy statements within this document and must follow the governing authority of the policy owner. |

RELATED DOCUMENTATION

| Document | Document Description |
|---|--|
| Municipality of East Hants Procurement Policy | Policy that sets out Procurement directives for the Municipality of East Hants |

VERSION LOG

| Version Number | Amendment Description | Amendment/Policy Owner | Approved By | Approval Date |
|----------------|--|------------------------------|-------------|--------------------|
| <1.0> | Creation of Budget Administration Policy as a result of a splitting of the old policy between a Procurement Policy and the Budget Management Policy. | Chief Administrative Officer | Council | September 26, 2012 |
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