

POLICY #216C

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Policy Title:	Operating and Capital Budgets
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Policy Statement

The Town is committed to preparing its annual budgets through a consistent, transparent, and forward-looking process that promotes fiscal responsibility and sustainable service delivery.

Purpose

The purpose of this policy is to establish a framework for the preparation, approval, implementation, and monitoring of the Town's annual operating and capital budgets. This ensures responsible financial planning, transparency, and alignment with the Town's strategic priorities, in accordance with the *Municipal Government Act* and applicable legislation.

Definitions

Balanced Budget A financial plan where total revenues are equal to total expenditures for a fiscal year. Municipalities are required under the MGA to adopt a balanced operating budget.

Operating Budget An annual plan that outlines expected revenues and expenditures associated with the day-to-day delivery of municipal programs and services, such as salaries, utilities, and materials.

Capital Budget A financial plan that details planned investments in tangible capital assets, such as infrastructure, equipment, and facilities, and identifies the associated funding sources.

Capital Plan (5-Year Capital Plan) A long-range plan outlining anticipated capital projects and major asset acquisitions over a five-year period, including cost estimates, funding sources, and timelines.

Operating Financial Plan Forecast A multi-year projection (typically three years) of the municipality's operating revenues and expenditures, used to support long-term planning and financial sustainability.

Utility Budget A self-contained budget for municipal utility operations (e.g., water, wastewater, solid waste).

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Reserves Funds that are set aside for specific future purposes, such as asset replacement, contingencies, or large capital projects. These may be designated as restricted or unrestricted.

Fiscal Year The 12-month period used for accounting and budgeting purposes, running from January 1 to December 31.

User Fees Charges levied by the municipality for specific services or programs, such as recreation programs, waste collection, or utility services.

Service Levels The quality, quantity, or scope of services provided by the municipality. Changes to service levels may impact budgets and require Council approval.

Scope

This policy applies to all departments, boards, and committees that are responsible for the use of municipal funds, and governs the development of the following:

- Annual Operating and Capital Budgets
- Operating Financial Plan Forecasts and 5-year Capital Plan
- Utility Budgets
- Reserve Contributions and Allocations

Standards

Key principles include:

- **Strategic Alignment:** Budgets will align with the Town's Strategic Plan, Business Plans, and long-term goals.
- **Long-Term Planning:** Budget development will consider the financial impacts on future years and include multi-year operating and capital forecasts. Municipal and Utility operating budgets shall be prepared for a three-year period. Council approval is required for the first year and the second and third year will be presented for Council's information.
- **Transparency and Accountability:** The budget process will involve clear documentation, public communication, and opportunities for community input.
- **Balanced Budgeting:** The Town will maintain a balanced operating budget, ensuring revenues are equal to operating expenditures. Any year end Operating surpluses will be allocated in accordance with the Reserves Policy 217C.
- **Budget Adjustments:** The CAO and/or the Director of Corporate Services may approve adjustments to the annual operating budget, provided these changes do not alter the total approved budget or impact approved service levels. Any changes to that do impact the overall revenue or expenditures or impact approved service levels must be presented to Council.
- **Budget Engagement:** The Town will conduct an annual online budget engagement process to gather input from residents and stakeholders on budget priorities and service expectations. The results of this engagement will be compiled and presented to Council to support informed decision-making during budget deliberations.

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- **Capital Planning:** Capital expenditures will be prioritized and aligned with the approved 5-year Capital Plan. Transfers to capital reserves will be included in the operating budget.
- **Utility Budgets:** All utility operations will be self-funded through user fees and reserves, ensuring no tax support is required.
- **Legislative Compliance:** Budget preparation and approval will comply with all applicable sections of the *Municipal Government Act* and related regulations.
- **Risk Management:** The Town incorporates risk management into its budgeting process to ensure reliable service delivery. This includes setting aside contingency funds, allocating surpluses to reserves as outlined in Policy 217C, and using reserves to manage unexpected costs. Ongoing financial monitoring helps identify risks early and supports timely, informed responses.

Budget Process

1. Preparation: Departments submit budget requests based on service needs and Council direction. Finance compiles and analyzes data.
2. Review: Administrative leadership reviews departmental submissions for consistency and financial viability.
3. Council Deliberation: Draft budgets are presented to Council for discussion, adjustment, and public review.
4. Approval: Council formally approves the annual operating and capital budgets prior to the start of the fiscal year.
5. Implementation and Monitoring: Departments manage their budgets, with Finance providing regular reporting and variance analysis throughout the year.

Budget Tracking and Performance Measurement

The Town is committed to ongoing budget monitoring and performance evaluation to support informed decision-making, fiscal responsibility, and alignment with the Corporate Plan.

Budget Tracking:

- The Town uses dedicated financial software to enhance real-time monitoring, improve accuracy, and streamline reporting across all departments.
- Each department is responsible for managing its approved budget, while the Leadership Team (LT) conducts monthly budget reviews to identify risks, monitor trends, and recommend timely corrective actions.
- The Finance Department provides regular budget variance reports to LT and Council, highlighting significant deviations from planned revenues or expenditures and explaining contributing factors.

Performance Measurement:

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- Budget performance will be assessed against financial targets established in the Corporate Plan, including:
 - Maintaining a balanced operating budget
 - Meeting annual reserve contribution targets (10 % of operating expenses and capital reserves balance of 50% of average 5-year capital plan.)
 - 100% cost recovery for utility operations
 - Achieving a 30% cost recovery target for recreation facilities
 - Ensuring capital investment levels align with long-term infrastructure plans
- Year-end results will be compared to these targets to evaluate financial health, service efficiency, and alignment with strategic priorities.
- Where appropriate, key performance indicators (KPIs) will be used to assess the effectiveness and value of programs and services funded through the budget.