

Title: BUDGET AMENDMENT POLICY		Number: 0183
Reference: Administrative Committee - October 9, 2024 Corporate Services Committee - November 14, 2024	Adopted by City Council: January 6, 2025	
	City Clerk	City Manager
Supersedes: N/A		
Prepared by: FINANCE DEPARTMENT, CORPORATE SERVICES DIVISION		

STATEMENT

THE CITY OF MEDICINE HAT WILL EXERCISE GOOD GOVERNANCE IN THE USE OF ITS RESOURCES TO ENSURE SOUND STEWARDSHIP, ACCOUNTABILITY AND TRANSPARENCY.

THE PURPOSE OF THIS POLICY IS TO IDENTIFY WHEN A BUDGET AMENDMENT IS REQUIRED AND TO ENSURE THAT ANY AMENDMENTS OR EXPENDITURES OUTSIDE THE APPROVED BUDGET ARE APPROPRIATELY AUTHORIZED THROUGH A FORMAL PROCESS TO ENSURE FINANCIAL CONTROL AND TRANSPARENCY.

1. AUTHORITY

- 1.1 Pursuant to Section 201 of the Municipal Government Act (Alberta), Council is responsible for developing and evaluating the policies of the City. Pursuant to Section 207 of the Municipal Government Act (Alberta), the City Manager is responsible for ensuring that the policies of the City are implemented.
- 1.2 Emergency Purchases
 - (a) Situations of urgency resulting from the failure to properly plan do not constitute an emergency.
 - (b) Refer to section 3.17 of the City Procurement Policy #0173 for guidance on how to conduct an emergency purchase.
 - (c) Receive approval from the City Manager/CAO to proceed with the purchase and prepare a briefing note to Council informing them of the emergency and the amount of spending as soon as possible following the conclusion of the emergency.
- 1.3 Power Plant Critical Infrastructure
 - (a) If a Power Plant Critical Infrastructure repair is required immediately and has not been included in the approved budget, Electric Generation can proceed with either of the following:

- (i) Proceed with the repair and prepare a briefing note for City Manager/CAO approval to reallocate/transfer existing unused budget to fund the cost of the repair, or
- (ii) Receive approval from the City Manager/CAO to proceed with the repair, funding it through available working capital and prepare a briefing note to Council informing them of the repair and the amount of spending.

2. DEFINITIONS

- 2.1 Emergency Purchases – any situation of extreme urgency brought about by unforeseeable events that makes the procurement of goods and services necessary to address an immediate risk to health, safety, security, property, the environment, or other public interests of the City.
- 2.2 Power Plant Critical Infrastructure – refers to the electric generation infrastructure assets that are essential in the production of electricity.

3. PRINCIPLES

- 3.1 This Policy shall be governed by the *Municipal Government Act* and related City Bylaws.
- 3.2 An accurate budget is essential to ensure the effectiveness of the budget as a financial control mechanism within the City.
- 3.3 This Policy will enhance transparency and accountability in the use of public funds.
- 3.4 This Policy will ensure appropriate approvals and reporting are in place to facilitate robust budget management.
- 3.5 Budget amendments outside of the formal budget process may be necessary to address unforeseen changes in financial and economic circumstances – amendments outside of the formal annual budget process should be kept to a minimum.

4. ROLE OF COUNCIL

- 4.1 Receive, review and adopt this policy and any recommended amendments thereto.
- 4.2 Approve the operating and capital budget plans including funding, debt issuance, and reserve utilization.
- 4.3 Approve budget amendment requests that increase or decrease the approved capital or operating budgets.
- 4.4 Council hereby authorizes the City Manager/CAO to make expenditures in the event of an emergency or power plant critical infrastructure event in accordance with sections 1.2 and 1.3 above.

5. ROLE OF CITY MANAGER

- 5.1 The City Manager is responsible for implementing this policy, which includes ensuring that appropriate procedures are established.
- 5.2 Ensure the operations and affairs of the City are carried out within approved budget limits.

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- 5.3 Authorize and approve budget transfers within the approved budget limits as per the Administrative Organization Bylaw 4662.
- 5.4 Report all budget transfers to Council on an tri-annual basis, including the City's tri-annual report.

Procedure

Title: BUDGET AMENDMENT PROCEDURE		Number: 0183
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Approved by the Administrative Committee: October 9, 2024		Supersedes: N/A
City Clerk	City Manager	
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Prepared by: FINANCE DEPARTMENT, CORPORATE SERVICES DIVISION		

1. DEFINITIONS

- 1.01 Approved Budget – annual plan approved by Council for all business units authorizing the use of prescribed financial resources for operations and capital spending, including funding, debt issuance, and reserve utilization. Establishes the budgetary limits within which Administration is allowed to operate.
- 1.02 Business Units – includes the operations of Tax Supported, Land Development & Real Estate, Rate-Based Utilities and Energy Production.
- 1.03 Budget Amendment – is a method used to revise a previous Council approved budget.
- 1.04 Budget Transfer – the redistribution of operating or capital budget and associated funding from one area to another or to many areas without increasing or decreasing the overall approved budget.
- 1.05 Controllable Variances – those operating revenues and expenses that can be influenced by management.
- 1.06 Emergency Purchases – any situation of extreme urgency brought about by unforeseeable events that makes the procurement of goods and services necessary to address an immediate risk to health, safety, security, property, the environment, or other public interests of the City.
- 1.07 Executive Leadership Team (ELT) – comprised of the Managing Directors and City Manager/CAO.
- 1.08 Expenditures – authorized spending incurred to operate the business of the City, and to acquire, develop, or replace capital assets that are included in the operating or capital budget or otherwise authorized by Council.
- 1.09 Fiscal Year – January 1 to December 31.
- 1.10 New Operating Initiatives – represents ongoing and/or non-recurring operating expenses related to a one-time expenditure for a specific initiative to a business unit that increases the base budget.
- 1.11 Project – includes both operating and capital initiatives, with a defined scope, outcome, and budget, approved by Council.
- 1.12 Power Plant Critical Infrastructure – refers to the electric generation infrastructure assets that are essential in the production of electricity.

2. RESPONSIBILITIES

2.01 Administrative Committee

- (a) Make recommendations to Council regarding any amendments to the Budget Amendment Policy.
- (b) Consider and provide input on other budget amendment briefing notes that may be referred through Administrative Committee and then forwarded to other standing committees and Council, as required.
- (c) Make any amendments to this procedure.

2.02 City Manager/CAO

- (a) Ensure the operations and affairs of the City are carried out within approved budget limits.
- (b) Authorize and approve budget transfers within the approved budget limits as per the Administrative Organization Bylaw 4662.
- (c) Report all budget transfers to Council on a tri-annual basis, including the City's tri-annual report.

2.03 Managing Directors, Directors, City Clerk, and City Solicitor

- (a) Ensure that the operations and affairs of the Business Units that they have been assigned to manage are carried out within approved budget limits.
- (b) Comply with the procedures associated with this Policy by reviewing and recommending the budget amendments and transfers submitted by the originating department for City Manager/CAO or Council approval, as required.
- (c) Work with Financial Control & Reporting on all proposed budget amendments and transfers to ensure organizational consistency and compliance.

2.04 Police Commission

- (a) Ensure that the operations and affairs of the Police Service are carried out within approved budget limits.
- (b) Comply with the procedures associated with this Policy by reviewing and recommending any budget amendments for Council approval.
- (c) Work with Financial Control & Reporting on all proposed budget amendments and transfers to ensure organizational consistency and compliance.

2.05 Financial Control & Reporting (FC&R)

- (a) Ensure this policy and current practices are robust and lead the organizational review to adjust where necessary.
- (b) Assist Business Units with completion of budget amendment and transfer documentation to ensure organizational consistency and compliance.
- (c) Provide funding sources for budget amendments as required.
- (d) Update the City's Enterprise Resource System (ERP) for approved budget amendments and transfers.
- (e) Coordinate and prepare the controllable variance request and submit to City Manager/CAO for approval, as required.
- (f) Prepare and provide timely and accurate reporting of budget amendments and transfers to Managing Directors, City Manager/CAO, and Council annually and throughout the year as required.

3. PROCEDURES

3.01 Budget Amendment Parameters

- (a) Budget amendments outside of the formal budget process may be necessary to address unforeseen changes in financial and economic circumstances. All amendments must be justified, documented, and approved according to the procedures outlined in this policy. A budget amendment would be required, but not limited to, the following:
 - i. A significant change in assumptions contained in the approved budget that will result in exceeding approved budgetary limits.
 - ii. A significant change in stated approved service levels that will impact the community and/or exceed approved budgetary limits.
 - iii. A change in funding source (i.e. third-party debt and reserves).
 - iv. New operating or capital initiatives that will increase expenditures and scope of the approved budget (includes third-party competitive grants).
- (b) Expenditures that would require the Approved Budget to be amended should occur only after a budget amendment is approved.
- (c) Budget transfers should not occur between capital budgets and operating budgets.
- (d) Budget amendments that require increases to the Approved Budget and/or require additional funding must be approved by Council.

3.02 Inter-divisional budget transfers must be approved by the City Manager/CAO. Such transfers cannot result in the established budgetary limits of the Approved Budget being surpassed unless Council has adopted an amendment.

3.03 Operating Budget

- (a) Year-end Unfavorable Variances – funding sources will be recommended by the Finance Department for final year end net unfavorable variances by Business Unit that have not been previously approved and reported to Council for approval as part of the year-end audited Financial Statements.
- (b) A budget amendment for Council approval is required for new operating initiatives that will exceed the approved budget amount.
- (c) A budget amendment to the City Manager/CAO is required for previously approved operating initiatives that are over budget and require additional budget funds. The City Manager/CAO may transfer City operating funds on an inter-divisional or inter-departmental basis if the City Manager considers it advisable to do so to maintain the operations and affairs of the City within approved budgetary limits. If City Manager/CAO contingency or other previously approved budget funds are not available to transfer for the overage, a budget amendment to Council is required.
- (d) Controllable Variance – At the conclusion of a budget year that is within the middle of a multi-year budget cycle, controllable variances as part of an operating budget surplus, can be carried forward within the same budget cycle upon City Manager/CAO approval. Carry forwards are not permitted under an operating budget deficit. As well, carrying forward operating budget variances to a future budget cycle is also not permitted.

3.04 Capital Budget

- (a) A budget amendment for Council approval is required for new capital project requests and projects with scope changes that significantly affect the current service delivery.
- (b) A budget amendment to the City Manager/CAO is required for previously approved capital projects that are over budget. The City Manager/CAO may utilize the CAO Contingency funds or transfer City capital funds on an inter-divisional or inter-departmental basis if the City Manager considers it advisable to do so to maintain the operations and affairs of the City within approved budgetary limits. If City Manager/CAO contingency or other previously approved budget funds are not available to transfer for the overage, a budget amendment to Council is required.
- (c) Each business unit should ensure that capital projects are completed in a timely manner and within the approved scope and budget. Capital projects should be closed when they are put into service/production. For capital projects not completed by the end of each fiscal year, the City Manager/CAO approves the carry forward of the unspent capital budget into the next fiscal year. A report advising Council of the carryforwards is provided on an annual basis. Council is advised of the progress on capital projects through the Tri-annual management reporting process during the year.
- (d) For capital projects that were completed during the fiscal year but were overspent, underspent or cancelled, a briefing note is prepared for the City Manager/CAO to approve the reallocation/transfer of funds and funding sources for the overspent projects. A report advising Council of the overspent, underspent, and/or cancelled projects is provided on an annual basis. Council is advised of the progress on capital projects through the Tri-annual management reporting process during the year.

3.05 Contingency Funds

Contingency funds are approved as part of the approved budget to provide operational flexibility and potential funding source for unforeseen items.

- (a) Grant contingency
 - i. Grant contingency fund exists:
 - If a grant contingency fund has been approved by Council, new projects not included in the Approved Budget that meet the grant contingency criteria can be funded through this contingency with review and recommendation by the ELT and final City Manager/CAO approval.
 - New projects not included in the Approved Budget that do not meet the grant contingency criteria will require a budget amendment for Council approval.
 - ii. Grant contingency fund does not exist:
 - Projects that have been included as part of the Approved Budget and have a funding source change to a grant require a budget amendment for City Manager/CAO approval to reallocate the funding source to grant funded.
 - New projects not included in the Approved Budget that are grant funded require a budget amendment for Council approval.

(b) City Manager/CAO contingency fund

If a City Manager/CAO contingency fund has been approved by Council:

- New projects not included in the Approved Budget can be funded through this contingency through a briefing note to the City Manager/CAO.
- Previously approved projects that are over budget can be funded through this contingency through a briefing note to the City Manager/CAO.

3.06 Emergency Purchases

- (a) Situations of urgency resulting from the failure to properly plan do not constitute an emergency.
- (b) Refer to section 3.17 of the City Procurement Policy #0173 for guidance on how to conduct an emergency purchase.
- (c) Receive approval from the City Manager/CAO to proceed with the purchase and prepare a briefing note to Council informing them of the emergency and the amount of spending as soon as possible following the conclusion of the emergency.

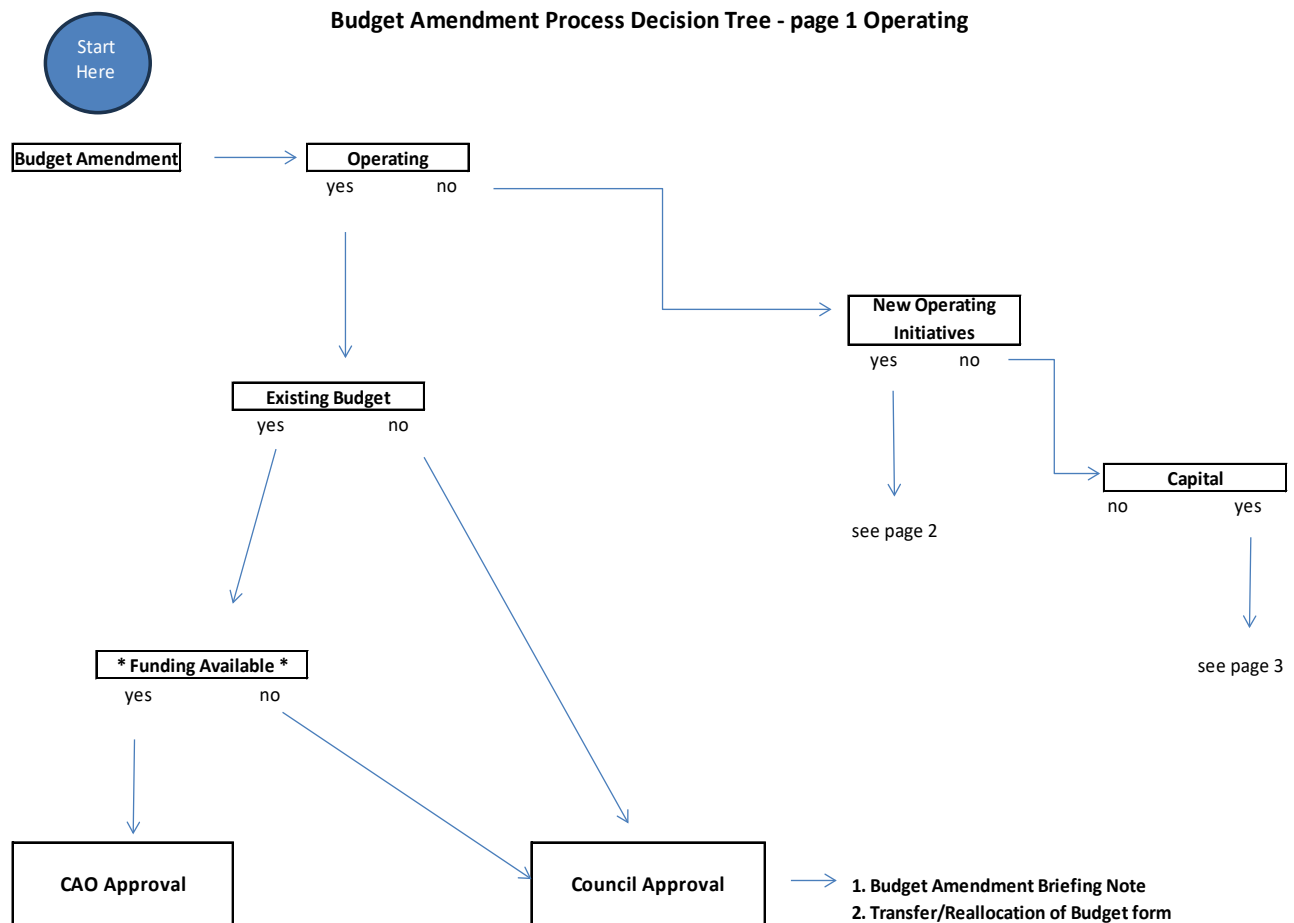
3.07 Power Plant Critical Infrastructure

- (a) If a Power Plant Critical Infrastructure repair is required immediately and has not been included in the approved budget, Electric Generation can proceed with either of the following:
 - i. Proceed with the repair and prepare a briefing note for City Manager/CAO approval to reallocate/transfer existing unused budget to fund the cost of the repair, or
 - ii. Receive approval from the City Manager/CAO to proceed with the repair, funding it through available working capital and prepare a briefing note to Council informing them of the repair and the amount of spending.

4. APPENDICES

Appendix A – Budget Amendment Process Decision Tree

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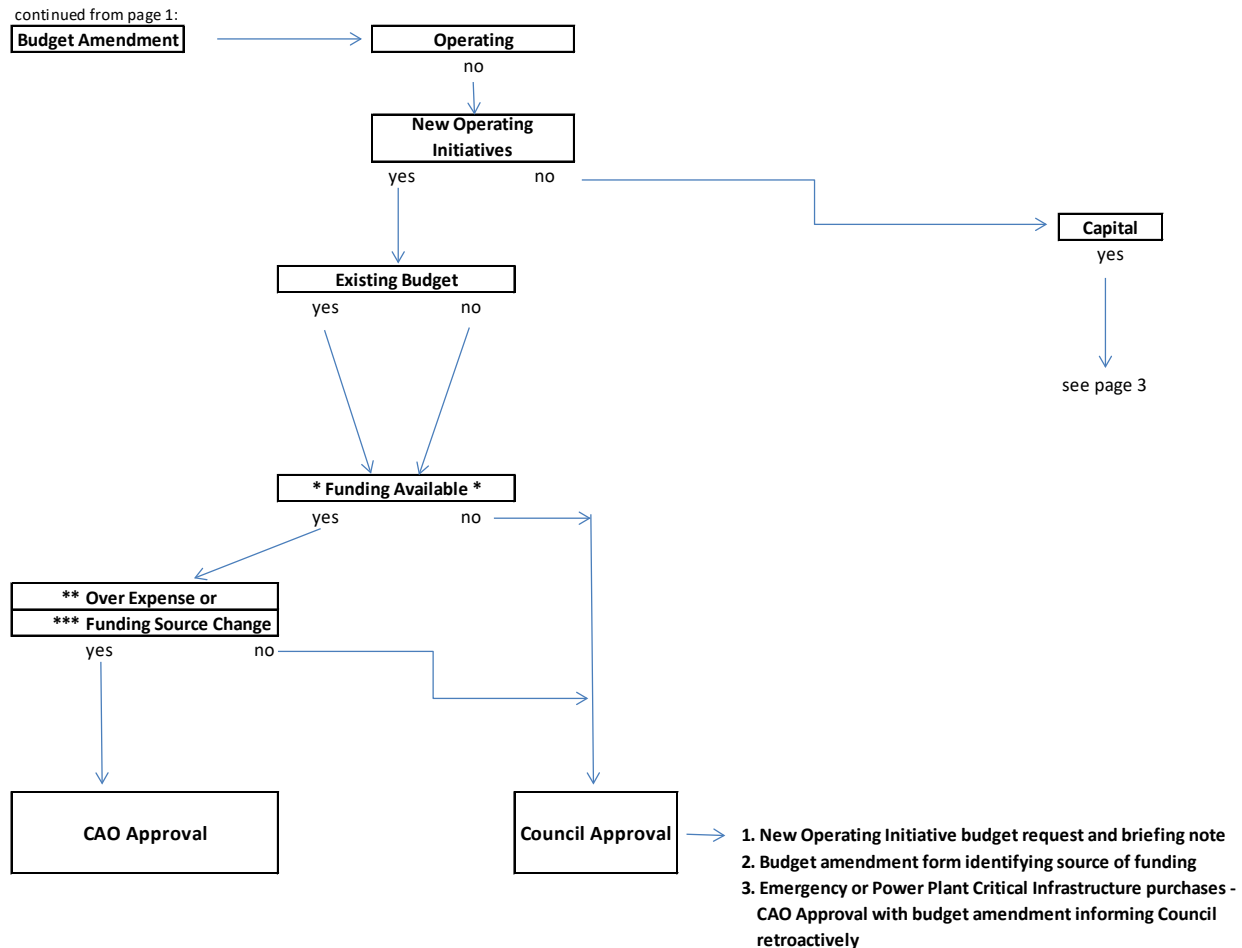
Legend:

* Funding Available *

CAO may approve the movement of operating budgets between departments or across divisions

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Budget Amendment Process Decision Tree - page 2 New Operating Initiatives



Legend

* Funding Available *

- If new operating initiative was never budgeted for previously (new request) Council must approve.
- CAO has option to change funding to another source provided it is available and is not a source that requires Council approval.

** New Operating Initiative Over Expense

- Current years operating budget and/or prior years favourable controllable variance.
- If an existing operating initiative' budget is expected to be or is over spent CAO may approve increase along with an identified funding source provided that another operating initiative is equally reduced in budget and like funding source.

Exception: If there is a net increase in budgeted amounts, Council must approve.

*** New Operating Initiative Funding Source Change

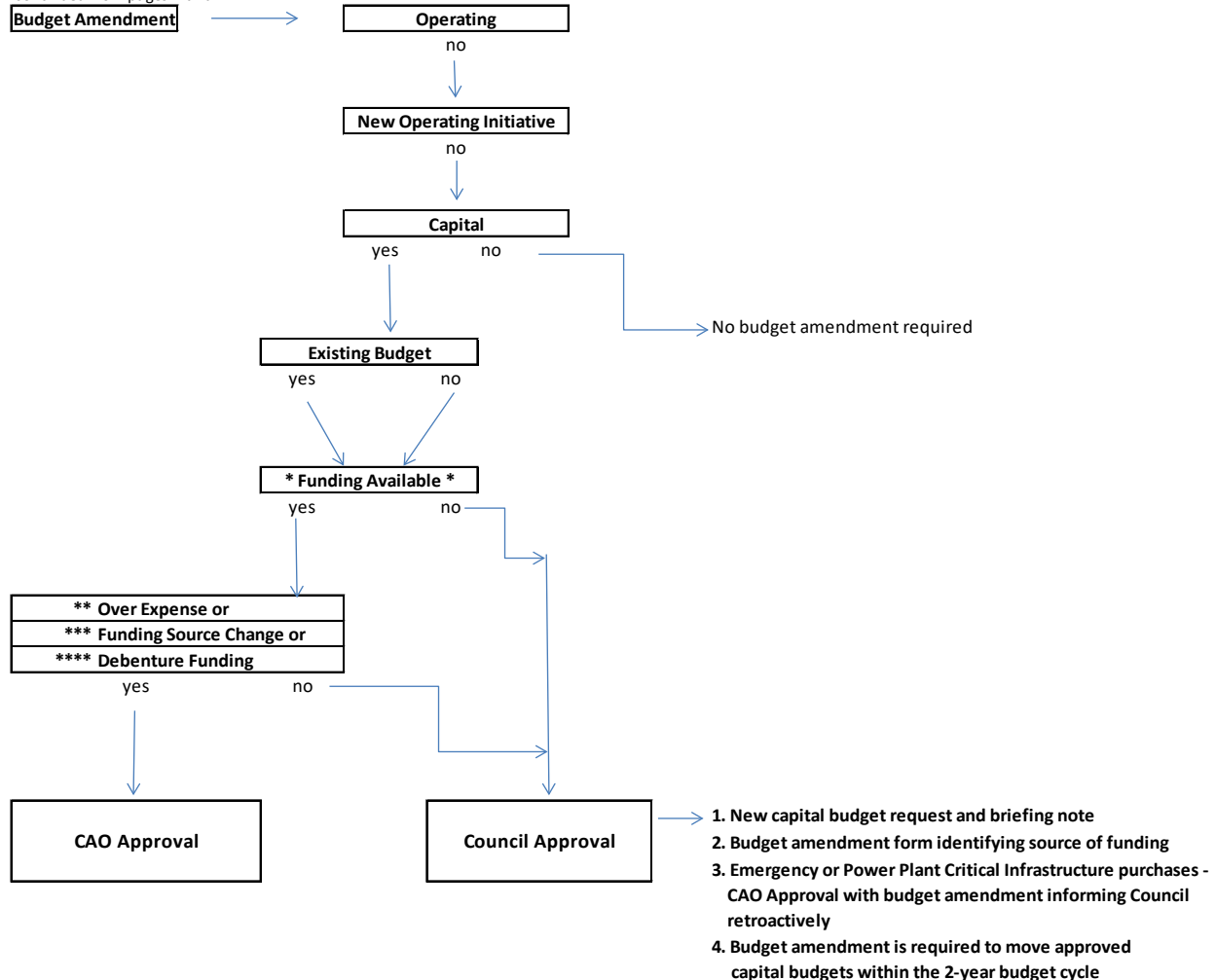
- Third party funding, grants, operating or internal loan (excluding debentures).
- CAO may approve funding source change provided there are sufficient funds available and a matching reduction occurs in another budget area.

This procedure is subject to any specific provision of the *Municipal Government Act* or other relevant legislation or union agreement.

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Budget Amendment Process Decision Tree - page 3 Capital

continued from pages 1 and 2



Legend:

* Funding Available *

- If a capital project was never budgeted for previously (new request), Council must approve.
Exception: CAO may approve new capital budget requests and fund with CAO Contingency.
- CAO has option to change funding to another source provided it is available and is not a source that requires Council approval.

** Capital Project Over Expense

- Current years capital budget and/or carry forward of amounts previously approved.
- If an existing capital project budget is expected to be or is over spent, CAO may approve increase along with an identified funding source provided that another approved capital project is equally reduced in budget and like funding source.
Exception: If there is a net increase in budgeted amounts, Council must approve.

*** Capital Project Funding Source Change

- Third party funding, grants, operating or internal loan (excluding debentures).
- CAO may approve funding source change provided there are sufficient funds available and a matching reduction occurs in another budget area.

**** Debenture Funding

- All debenture funding must be approved by Council.
Exception: The CAO may not change any funding to Debenture, but can change funding from Debenture to another source.

This procedure is subject to any specific provision of the *Municipal Government Act* or other relevant legislation or union agreement.