

READER'S GUIDE

This budget document contains all seven of the funds that the City operates: the General Fund, the Water and Sewer Fund, the Solid Waste Management Fund, the Land Development Fund, the Capital Fund, the Service Connection Failure Assistance Fund and the Reserve Fund.

BASIS OF BUDGETING

Readers and users of governmental budgets and financial statements are frequently confused by what they see. This confusion stems from the style of accounting which is required for all government jurisdictions in order to segregate and account for resources.

The City of Yellowknife develops the revenue and expenditure estimates contained in its annual budget in a manner that follows generally accepted accounting principles (GAAP) for local governments. The City uses the accrual accounting method for recording expenditures and revenue. The budget is prepared on this basis.

The budget is organized on the basis of Funds. Each Fund is considered a separate budgetary and accounting entity; municipal resources are allocated to, and accounted for, in individual Funds based upon the purposes of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

NEW ACCOUNTING STANDARDS

The Canadian Institute of Chartered Accountants' (C.I.C.A.) *Public Sector Accounting Board* (P.S.A.B.) was created in 1981, after an in-depth C.I.C.A. research study found dramatic inconsistencies in the way the federal and provincial governments accounted for and reported their financial position and results. A study conducted in 1985 for local governments found similar problems.

In 1989 P.S.A.B. began its local government initiative of recommending standards of good municipal accounting and financial reporting practices. As in most provinces and territories, municipalities in the NWT are not yet required to follow the P.S.A.B. recommendations. Because changing financial reports and accounting records can be time consuming, the recommendations are being adopted slowly throughout Canada. The City of Yellowknife adopted the P.S.A.B. recommendations starting with the 2000 budget and 1998 financial statements.

One significant change is the presentation of the City's Statement of Revenue and Expenditures. This statement is now named the Statement of Financial Activities, as it includes more than just revenue and expenditures. The overall objective of the Statement of Financial Activities as identified by P.S.A.B. is to ensure that all revenues, expenditures and changes in fund balances are recorded and reported on the Statement of Financial Activities.

The Statement of Financial Activities is intended to present an understandable overview of the results of operations for the municipality as a whole. Thus, for each financial statement item, the Statement of Financial Activities would present the total for the municipality. As such, any interfund transactions would be eliminated.

Reporting all revenues and expenditures on the Statement of Financial Activities ensures that information is presented about the municipality's sources, allocations and uses of financial resources and provides the user with an indication as to whether revenues were sufficient to meet expenditures.

Another significant change is how municipalities are required to account for Tangible Capital Assets (TCA). Beginning with fiscal years starting in 2009, municipalities are required to amortize the cost of TCA over their useful lives in accordance with PSAB 3150. Prior to that, they were expensed in the year they were acquired or in which expenditures were incurred. The City of Yellowknife will prepare its financial statements in accordance with PSAB 3150. Starting in 2012 the budget will reflect this new method of presentation.

CITY FUNDS

The City operates various Funds which are defined as follows:

General

This Fund's activities include the municipal services and programs not accounted for in other funds. These activity costs are recovered through municipal property taxes, user fees and grants from other levels of government.

Land Development

This Fund's activities include all aspects of

acquiring, developing and disposing of municipal lands including the following:

- preparation of secondary development plans and detailed urban designs for development areas;
- property appraisal, legal survey and mapping work related to lands for disposal;
- engineering and constructing infrastructure required in the development area; and
- recovering, through sale of public lands, all direct, indirect and associated costs related to municipal lands in accordance with the Land Administration By-law.

Utility infrastructure installed on public rights-of-way in new subdivisions/development areas becomes the responsibility of the Water and Sewer Fund upon final acceptance by the City. Until that time, it is the responsibility of the Land Development Fund.

Solid Waste Management

This Fund's activities include all aspects of collection, processing and recycling. This includes landfill operation, baling facility operation and maintenance, as well as recycling, sorting and shipping. These direct and indirect costs are recovered through user fees.

Water & Sewer

This Fund's activities include all aspects of establishing, operating and maintaining buildings, equipment and work related to the supply and process of potable water; the distribution of potable water; and the collection, treatment and disposal of sewage. These costs are recovered through charges to service users.

Capital

This Fund accounts for capital projects relating to the delivery of services and programs in all Operating Funds.

Reserve

This Fund accounts for the balances and transfers of reserve funds.

Service Connection Failure Assistance

This Fund provides for the repair and maintenance of water supply and sewage lines from City mains to the customers' buildings and provides assistance to customers.

In order to match all costs associated with a particular Fund (e.g. billing and collection of revenues), each fund pays an administration fee to the General Fund. The administration fee for the Water & Sewer Fund is based on 15% of its revenue and the Solid Waste Management Fund is based on 10% of its revenue. For the Land Development Fund, the administration fee is based on estimated administrative costs.

ORGANIZATIONAL STRUCTURE

The City's expenditures and revenues are organized into hierarchical categories: Departments, Divisions and Programs. To understand the Budget better, a basic understanding of these terms is required.

Department A department represents the highest level of summarization used in the City's financial structure. The function classification represents a grouping of related operations and programs aimed at accomplishing a broad goal or rendering a major service. In addition to Administration, there are six departments in the City's financial structure as follows:

Department of Community Services
Department of Corporate Services
Department of Communications & Economic Development
Department of Public Safety
Department of Planning and Development
Department of Public Works and Engineering



The Relationship Between Funds and Departments

Fund	Budget Summary	Department							
		Mayor & Council	City Administrator	Corporate Services	Communications & Economic Development	Community Services	Public Safety	Planning & Development	Public Works & Engineering
General Fund	X	X	X	X	X	X	X	X	X
Solid Waste Management Fund	X								X
Water & Sewer Fund	X								X
Land Development Fund	X							X	
Services Connection Failure Assistance Fund	X								X
Capital Fund	X	X	X	X	X	X	X	X	X
Reserve Fund	X								

Division Departments can be further subdivided into divisions which are usually associated with functioning working groups having more limited sets of work responsibilities. Their primary purpose is organizational and budget accountability. An example is the Building Inspections Division within the Department of Planning and Development.

Program Divisions may be further subdivided into programs (groups of activities). A program is used to account for a specific public service performed within a division in the pursuit of individual goals and objectives. A program is aimed at accomplishing a specific service or regulatory program for which the City is responsible. An example of a program would be Capital Planning Activities managed by Public Works & Engineering Directorate.

FORMAT OF THE BUDGET DOCUMENT

The budget document is organized in the following manner: Goals and objectives are set out at the Fund, Department, Division and Program levels: financial information is provided for the last completed fiscal year, budgeted current year expenditures, estimated current year expenditures and the recommended budget amounts for the next three years. The financial costs are summarized at the object level as well as at the activity level. In the summary section, financial costs are also presented by major function and by major object.

DEFINITIONS

To assist readers in understanding the budget document, the following definitions are provided:

Accrual Basis Accounting A basis of accounting in which transactions are recognized at the time they are incurred, as opposed to when cash is received or spent.

Activity The department/division's effort which contributes to the achievement of a specific set of program objectives, which is the smallest unit of the program budget.

Assessed Valuation The valuation set upon real estate and certain personal property by the Assessor as a basis for levying property taxes.

Budget A plan that sets out the City's goals and objectives for a specific period of time (fiscal year) and all planned revenues and expenditures for the budget period. The budget is also a policy document, an operations guide and a communication device that is written so that all citizens have an equal opportunity to review the document and understand where their taxes are being spent.

Capital Lease A capital lease is one which, from the point of view of the lessee, transfers substantially all the benefits and risks incident to ownership of property to the lessee. The lessee should account for a capital lease as an asset and an obligation (debt).

Consumer Price Index (CPI) A statistical description of price levels provided by Statistics Canada. The index is used as a measure of the increase in the cost of living (i.e. economic inflation).

Debt Service The cost of paying principle and interest on borrowed money according to a predetermined schedule.

Deficit The excess of an entity's liabilities over its assets or excess of expenditures over revenues during a single accounting period.

Environmental Services A function encompassing all activities relating to solid waste management, mosquito abatement and other related activities.

Evergreen Policy In conjunction with the Information Technology Strategic Plan, a policy whereby 25% of the City's computer workstations are replaced annually.

Expenditure Charges incurred (whether paid immediately or unpaid) for operations, maintenance, debt servicing, acquisition of an asset or service, or settlement of a loss.

Fiscal Policy A government's policies with respect to revenues, spending and debt management as these relate to government services, programs and capital investment. Fiscal policy provides an agreed-upon set of principles for the planning and programming of government budgets and their funding.

Fiscal Year A twelve-month period designated as the operating year for accounting and budgeting purposes in an organization. The City's fiscal year is based on the calendar year.

Formula Funding A block of grant funding received from the Government of the Northwest Territories for capital or operation and maintenance purposes. The funding is allocated to capital projects or

operations, based on City Council's discretion.

Full-time Equivalent Position (FTE) A part-time position converted to the decimal equivalent of a full-time position based on 52 weeks per year. For example, a casual secretary who works three weeks full-time would be equivalent to .06 of a full-time position.

Function A group of related activities aimed at accomplishing a major service or regulatory program for which a government is responsible (e.g. public safety).

Fund A fiscal entity with revenues and expenditures which are segregated for purposes of carrying out a specific service or activity.

Fund Balance The cumulative total of fund revenue, expenditures, debt proceeds, debt repayment and interfund transfers.

Gas Tax Rebate This is the funding provided by Government of Canada as part of the New Deal for Cities and Communities. This federal initiative is based on a long-term vision of sustainability for Canadian cities and communities, including four interdependent dimensions: economic, environmental, social and cultural. The program is intended to achieve results leading to cleaner air, cleaner water and reduced greenhouse gas emissions. The City uses this funding to finance various projects that work towards these goals.

Generally Accepted Accounting Principles (GAAP) Uniform minimum standards for financial accounting and recording, encompassing the conventions, rules and procedures that define accepted accounting principles.

Infrastructure The physical assets of a government (e.g. streets, water and sewer system, public buildings, parks, etc.).

Levy Tax imposed for the support of government activities.

Mill The property tax rate which is based on the valuation of property. A tax rate of one mill produces one dollar of taxes on each \$1,000 of assessed property valuation.



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Object of Expenditure An expenditure classification, referring to the lowest and most detailed level of classification (e.g. office, labour, and operations and maintenance).

Program A group of related activities performed by one or more organizational units for the purpose of accomplishing a function for which the government is responsible.

Reserve An account used either to set aside budgeted revenues that are not required for expenditure in the current budget year or to earmark revenues for a specific future purpose.

Tangible Capital Expenditure This category of expenditures includes: land, buildings, structures, other permanent improvements, computer hardware and software and equipment. It also includes the costs necessary to plan, acquire, install or put these items into use. Capital expenditure should meet the following criteria:

- cost should exceed \$50,000;
- has an anticipated useful life of more than three years;
- can be permanently identified as an individual unit of property;
- constitutes a tangible, permanent addition to the value of City assets;
- does not constitute repair or maintenance;
- is not readily susceptible to loss.

User Charge The payment of a fee for direct receipt of a public service by the party who benefits from the service.

ABBREVIATIONS

Avg. Average

CCBF Community Capacity Building Fund

CTV Act *The Cities, Towns and Villages Act*. The GNWT legislation which governs municipalities

GNWT The Government of the Northwest Territories

IT Information Technology

IVR Interactive Voice Response

GFOA Government Finance Officers Association of the United States and Canada

MACA The Department of Municipal and Community Affairs. The GNWT department responsible for enforcing legislation dealing with municipalities

MCF Reserve Major Community Facility Reserve

MER Reserve Mobile Equipment Replacement Reserve

MSC Committee Municipal Services Committee

O&M Operating and Maintenance

PATA *Property Assessment and Taxation Act*. The GNWT legislation which governs the City's authority to assess and tax

PSAB Public Sector Accounting Board of the Canadian Institute of Chartered Accountants

PY Person-Year

RWED Department of Resources, Wildlife and Economic Development. Effective April 1, 2005, this department was eliminated and two new departments created: Environment and Natural Resources (ENR) and Industry, Tourism and Investment (ITI)

UPS Uninterrupted Power Supply

WSCC Workers' Safety & Compensation Commission

Budget Process

A budget is a plan that helps Council and Administration decide how much money will be needed to provide programs and services. A good prediction of the total amount needed can be arrived at by building the budget total from small pieces.

The budget process provides medium-term direction identified and quantified by Council and Administration. The budget process reflects goals, objectives and priorities of the municipality and focuses on the current year's operating and maintenance costs, the following three-year operations and maintenance planning, and the following three-year capital planning.

Council establishes civic policies that determine levels of services. Administration reflects these policies as it establishes operations and maintenance services and capital projects. These goals are revised throughout the budget process, and revisions occur in evaluating and prioritizing each program and project. Throughout the budget document, each department/division details its goals and objectives as defined below:

A **policy** is a plan, course of action or guiding principle designed to set parameters for decisions and actions.

A **goal** is a long-term, attainable target for an organization - its vision of the future.

An **objective** is a specific, measurable and observable result of an organization's activity which advances the organization towards its goal.

Council, at the beginning of a new term, adopts three-year goals, objectives and priorities. These are based on the goals and priorities identified in the Community-Based Strategic Plan. Administration, under the direction of the City Administrator, is responsible for ensuring that departmental goals and objectives meet Council's adopted goals and objectives. Administration establishes any guidelines considered necessary and specifically ensures that the City's financial and budget policies are adhered to. The schedule and approach to budget development is approved by Council and directed by the City Administrator.

The legal budgetary (expenditure) control in the City of Yellowknife is maintained at the Fund level. Council approves a budget for all funds which are consolidated into an annual municipal budget for all funds. Council, by resolution, must adopt an annual budget before a fiscal year begins.

Since 2002 the City has produced a three-year budget. Council formally adopts the first-year budget and adopts the second and third-year budgets in principle. Prior to City Council adopting the second and third-year budgets, Administration brings forward a report which will include: for capital projects, any variances between recommended projects or changes in financing and outline the reasons for them; for operating programs and services, any significant variances in expenditures and revenues and the reasons for them.

ASSUMPTIONS

The 10-Year Financial Plan and this Three-Year Operating Budget reflect the required revenues and expenditures to maintain existing programs and services and to meet Council's goals and objectives as currently adopted. It also documents the progress that the City has made in attaining its financial goals and provides a clear path to a successful financial future.

Crucial to any forecasting are the key assumptions used in preparing this document. Projecting the future, whether three years or ten years, is often seen as valueless. However, using sound, practical financial policies coupled with solid assumptions, a long-term forecast can be a very useful tool.

KEY ASSUMPTIONS

- The projected population figures are based on the GNWT's Bureau of Statistics population projections.
- For 2014 and 2015, property tax revenue was calculated using management's best estimation of construction during these periods.
- Operation and maintenance expenditures for 2014 and 2015 are based on management's current estimation of costs needed to provide the same level of services. Management uses a series of local, regional and national indices to develop these estimates. These indices are also used to develop a Municipal Pricing Index (MPI) which is used to forecast total revenue requirements for each year. The 10-Year Financial Plan has costs increasing proportionately to population increase in 2015 and years thereafter.



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2012 Corporate Planning & Budget Review Calendar

Action	Departments & Divisions	Corporate Leadership Team	MSC and Council	Citizens
Strategic Planning				
1. Legal Matters Update (in camera)			April 2	
2. Contractor Strategic Planning Session with Council				
3. Department Action Plans/Performance Planning & Review	Ongoing			
Budget				
4. Review of the 2012 Corporate Planning and Budget Review Calendar for 2013 - 2015 Budget		March 28	April 2	
5. Review and Distribution of Budget Guide to Department Heads	May 1			
6. Review of Draft Asset Management Plan and 10-year Financial Plan		May 9	May 21	
7. External consultation with interested stakeholders on the Draft Asset Management Plan and 10-year Financial Plan.				Week of April 30
8. Advertise to solicit input from general public for 2013 -2015 Budget				May 7 Advertise May 28 Deadline
9. Input from Council for 2013 – 2015 Budget			May 28	
10. Corporate Services meetings with Departmental Directors and Budget Managers	June 18 - 27			
11. Departments submit O&M and Capital budgets including Capital write ups (word and excel formats)	August 31			
12. First review of 2013 – 2015 O&M Budget by Fund		September 13		
13. First review of 2013 – 2015 Capital Budget including capital write ups		September 14		
14. Departments submit revisions resulting from 1st review of O&M and Capital Budgets	September 20			
15. Departments submit budget highlights, goals & objectives, performance indicators	September 21			
16. Presentation to Council on results of Council input, public input and departmental submissions to 2013 – 2015 Budget – MSC Meeting			October 1	
17. Second review of 2013 – 2015 O&M and Capital Budgets, and budget highlights, goals and objectives and performance indicators (excel and word format)		October 5		
18. Departments submit final revisions of O&M and Capital Budget sections in Publisher format	October 12			
19. Final review of the Budget for 2013 – 2015 (Publisher format)		October 26		
20. Presentation of Budget and Challenges to MSC			November 19	
21. External consultation with interested stakeholders on the draft 2013 - 2015 Budget				November 19
22. Release of the draft 2013 – 2015 Budget to the Public				November 19
23. Council Meeting to hear public presentations on the draft 2013 - 2015 Budget			November 26	November 26
24. Review of draft 2013 – 2015 Budget at Special MSC Meeting			December 3	December 3
25. Adoption of the 2013 – 2015 Budget at Council Meeting			December 10	

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2012 Corporate Planning & Budget Review Calendar (cont'd)

Action	Departments & Divisions	Corporate Leadership Team	MSC and Council	Citizens
Financial Statements (2011 Financial Statements)				
26. Draft 2011 Financial Statements	March 2			
27. Review of the Audited Financial Statements		May 16		
28. Adoption of the 2011 Audited Financial Statements by Audit Committee			May 17	
29. Adoption of the Audited Financial Statements			May 22 – MSC May 28 – Council	
30. Preparation of the Draft Annual Report		May 16		
31. Distribution of the Annual Report		June 30		
Board of Revision				
32. Assessment Appeal Deadline				February 20
33. Appeal Hearings				April 4 & 5
Variance Reports				
34. Preparation of O&M and Capital Variance Reports		July 18 October 10		
35. Review of O&M and Capital Variance Reports by Audit Committee			July 26 October 18	
36. Distribution of O&M and Capital Progress/Variance Reports			August 13 October 22	

