

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. Transactions are recognized at the time they are incurred, as opposed to when cash is received or spent. 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

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



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								

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

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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.

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;



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- 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

WSSC 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.

This budget review process takes six months of analysis by staff and Council. The first step involves conducting a Citizen Survey. The survey provides information to Council on resident concerns, needs and priorities. Council then sets (or reviews, as in the case of the second and third year of the budget) its goals and objectives for the next three years. Next, administration sets its goals and objectives to meet Council's adopted establishment of the baseline budget required to carry existing programs into the next year. At this time, the City advertises for written submissions by the public. The second step in analysis involves the development of issues impacting the next year and beyond and their prioritization by Council. Once the baseline operations have been reviewed and adjusted, based on administrative policy, program expansion and capital projects are included after confirmation of sufficient financial resources.

After the preliminary budget document is reviewed and submitted to Council by Administration, Council spends approximately three weeks reviewing it. Also at this time, the budget document is available to the public. The MSC Committee is a public forum where the public can make submissions regarding the proposed budget. The MSC Committee then

debates and makes recommendations regarding the budget to Council. A special Council meeting is usually held two to three weeks later to adopt the budget. This special Council meeting is also open to the public, and public submissions can still be made. Council, by resolution, then adopts the budget at the special meeting.

BUDGETING & SPENDING CONTROL SYSTEM

Budgets are separated into Operations & Maintenance (O&M) budgets and Capital budgets. O&M budgets are the responsibility of managers at the division level, directors at the department level and the City Administrator at the total fund level. Council delegates to the City Administrator the responsibility for the management and administration of all capital projects as approved in the Capital budgets.

Where it becomes necessary to effect budget changes or adjustments, the authority to transfer budget allocations rests with the City Administrator as long as the bottom line of the Fund does not change from what was approved by Council and the adjustment does not include a cut or change in a program or service. Any change must be fully documented giving reasons for the adjustment and submitted to Council for information purposes. Any adjustment which changes the bottom line of a fund, or where levels of service are reduced or increased, must be approved by Council.

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 2015 and 2016, property tax revenue was calculated using management's best estimation of construction during these periods.
- Operation and maintenance expenditures for 2015 and 2016 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 2016 and years thereafter.

2013 Corporate Planning & Budget Review Calendar

Action	Departments & Divisions	Corporate Leadership Team	MSC and Council	Citizens
Strategic Planning				
1. Legal Matters Update (in camera)			February 25	
2. Contractor Strategic Planning Session with Council			January 15 & 16	
3. Department Action Plans/Performance Planning & Review	Ongoing			
Budget				
4. Review of the 2013 Corporate Planning and Budget Review Calendar for 2014 - 2016 Budget		January 30	February 4	
5. Review and Distribution of Budget Guide to Department Heads	May 1			
6. Overview at MSC on the 2014 Budget as set out in the 2013 -2015 Budget			May 6	
7. External consultation with interested stakeholders on the 2014 Budget as set out in 2013-2015 Budget Document. Objective to encourage public input for 2014 – 2016 Budget. (We have delayed this until we have the plan in place. This could move to the week of 10 or 17 June AFTER we have presented our plan to Council. This is when we could target our stakeholders before we go to the public)				Week of May 6
8. Advertise to solicit input from general public for 2014 - 2016 Budget (Same comment as item 7)				May 6 Advertise May 31 Deadline
9. Provide briefing to Council on proposed 2014 – 2016 Budget Process (At this stage we would let Council know what our plan is, potentially share with them that tool we were looking at (we need to firm this up) and ask them to think of their own wishes and then we could ask them to share them with us on June 24 MSC)			June 10	
10. Corporate Services meetings with Departmental Directors and Budget Managers	June 17 – 26			
11. Input from Council on the proposed 2014 – 2016 Budget			June 24	

(cont'd...)

2013 Corporate Planning & Budget Review Calendar (cont'd)

Action	Departments & Divisions	Corporate Leadership Team	MSC and Council	Citizens
12. Initial Review of 3-Year Capital Plan (Once the management team has reviewed this, this would be a good point to make a list of several projects to get input from the public.)		July 3		
13. Departments submit O&M and Capital budgets including Capital write ups (word and excel formats)	August 30			
14. Newspaper advertisements regarding Budget				Every Friday in September
15. First review of 2014 – 2016 O&M Budget by Fund (Once this review has been completed, this would be a good point to seek input from the public on operational matters that they may be interested in (come up with our list of priorities))		September 13		
16. First review of 2014 – 2016 Capital Budget including capital write ups (Same comments as item 15)		September 16		
17. Departments submit budget highlights, goals & objectives, performance indicators	September 18			
18. Departments submit revisions resulting from 1st review of O&M and Capital Budgets	September 27			
19. Launch online Internet Budget Tool				September 27
20. Second review of 2014 – 2016 O&M and Capital Budgets, and budget highlights, goals and objectives and performance indicators (excel and word format). Preview presentation to Council		October 11		
21. Presentation to Council on results of Council input, public input and departmental submissions to 2014 – 2016 Budget – MSC Meeting (Here is where we tell Council what the cost would be of any new items identified by Council and/or the public. We could then use what we come up with to confirm the public's interest in these new initiatives)			October 15	
22. Departments submit final revisions of O&M and Capital Budget sections in Publisher format	October 18			
23. Budget Open House				October 29 - 31 & November 2
24. Final review of the Budget for 2014 – 2016 (Publisher format)		November 1		
25. Presentation of Budget and Challenges to MSC			November 25	
26. External consultation with interested stakeholders on the draft 2014 - 2016 Budget				November 25
27. Release of the draft 2014 – 2016 Budget to the Public				November 25
28. Review of draft 2014 – 2016 Budget at Special MSC Meeting - Committee to hear public presentations on Dec. 2			December 2 - 3	December 2 - 3
29. Adoption of the 2014 – 2016 Budget at Council Meeting			December 9	

(cont'd...)



2013 Corporate Planning & Budget Review Calendar (cont'd)

Action	Departments & Divisions	Corporate Leadership Team	MSC and Council	Citizens
Financial Statements (2012 Financial Statements)				
30. Draft 2012 Financial Statements	March 1			
31. Review of the Audited Financial Statements		April 24		
32. Adoption of the 2012 Audited Financial Statements by Audit Committee			April 29	
33. Adoption of the Audited Financial Statements			May 6 – MSC May 13 – Council	
34. Preparation of the Draft Annual Report		May 15		
35. Distribution of the Annual Report		June 28		
Board of Revision				
36. Assessment Appeal Deadline				February 21
37. Appeal Hearings				April 4
Variance Reports				
38. Preparation of O&M and Capital Variance Reports		July 17 October 9		
39. Review of O&M and Capital Variance Reports by Audit Committee			July 25 October 17	
40. Distribution of O&M and Capital Progress/Variance Reports			August 12 October 21	

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