

<b>Manitoulin-Sudbury District Services Board POLICY &amp; PROCEDURES MANUAL</b>	
Section: B. General Administration	Effective Date: <b>Oct. 1, 2017</b>
Topic: 3. Finance	<b>Oct. 1, 2015</b>
Subject: 3.01. Annual Budget Guidelines	
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**POLICY**

**Purpose**

The purpose of this document is to provide guidance to the Board and staff related to the creation of the annual budget.

**Timing**

A draft budget should be completed for presentation to the Finance Committee by the day before the October Board Meeting of each year for the coming year. In order to accomplish this Directors and Program Managers need to complete their submissions to the Director of Finance and the CAO by the last day of September. The goal will be to have a budget approved by no later than the November Board meeting.

**PROCEDURE**

**Principles to be followed in budget creation:**

1. The essential approach is a zero based budget model. This means that each budget line must be individually justified and there are no automatic year to year percentage increases. Each position, line expenditure or operational cost must have a rationale directly linked to program delivery
2. Budgeting for wages will be based on the level of the incumbents at the time of budgeting and be projected in the following year with accuracy related to the nearest next month that their classification changes. If labour negotiations are underway the CAO will seek direction from the Finance Committee as to the budgeting of salaries and benefits.
3. Budgeting for benefits will be based on the costs of the incumbent at the time of budgeting and be projected in the following year with allowance for any known increases.
4. Rental revenue will be based on the greater of the projected current year rents received or the most recent three months projected to an annual amount.
5. **Hydro** will be based on the projected current year actual costs using the last 12 month actuals (includes **Consumer Price Index Energy (CPI)^**)

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increase for July to December of the prior year) plus CPI increase unless specific increases for the future Budget year beyond that level are known at budget time.

- 6. Taxes will be based on the prior 3 years average increase unless specific increases beyond that level are known at budget time.
- 7. Heating Fuel (Natural Gas and Propane) will be based on the projected current year actual costs plus 3% increase unless specific increases beyond that level are known at budget time.
- 8. Water Costs will be based on the projected current year actual costs plus 3% increase unless specific increases beyond that level are known at budget time.
- 9. Insurance will be based on the projected current year actual costs plus the CPI increase unless specific increases beyond that level are known at budget time. Property insurance levels must ensure adequate coverage subject to negotiation with the insurance broker.
- 10. All provincial subsidies will be based on prior year's level of cost sharing and cost sharing caps unless there is specific information to the contrary. Any risks of provincial cost sharing reductions will be noted by the CAO at the time of the budget presentation.
- 11. All transfers to committed reserves will be based on 5 year expenditure plans which have been updated by August 31 of each year in preparation for the budget process. The 5 year expenditure plans must have a positive balance at the end of the fifth year. The only exception would be in the case of capital items that have a specific replacement schedule. For example, ambulances are currently replaced on a seven year cycle.
- 12. Any new initiatives must be brought to the attention of the CAO no later than July 1 of each year. These are to be accompanied by an Issue Report which explains the initiative and the costs of implementation. Such reports will include the next year estimated costs and the related annualized cost.

^ Consumer Price Index (CPI) will be based on the latest CPI for energy in Ontario at the time the budget is prepared.