



# **Budget Appropriations Unexpended Processes and Procedures Review Update**

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Economic and Finance Standing Policy  
Committee

November 14, 2023



# City Council Resolution on March 22, 2022

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THEREFORE, BE IT RESOLVED THAT Administration provide a report on examining efficiencies, processes and procedures for the Budget Appropriations Unexpended Reserve to the Audit Standing Policy Committee of November 2, 2022 with a following report out to Economic Standing Policy Committee on November 14, 2022 and thereafter to recommend policy updates, if any, to Council in the first quarter of 2023.

THAT Council defer the date of return of the Budget Appropriations Unexpended Processes and Procedures to the May 30, 2023 City Council meeting through the May 17, 2023 Economic Standing Policy Committee from Q1 2023



# Purpose

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To provide and update to the Economic and Finance Standing Policy Committee with the review of the efficiencies, processes and procedures for the Budget Appropriations Unexpended (BAU) Reserve.



# What We Heard

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## Overall Intent and use of BAU Accounts

Clearly outline the intent and the use of BAU accounts to alleviate any concerns over the allocating of funds or the types of specific uses allowable in the BAU process.

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## Amount of funds allocated to BAU

Need to understand any potential limits over the total amount of funding allocated within BAU's by a department.

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## Multi-Year Budgeting & Financial accountability

Council would like to provide a balance between the fiscal flexibility for departments to manage their operations and future costs while allowing Council to provide the financial oversight and accountability for City finances

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## Repurposing and Time limits for BAU Funds

Need to understand the reasons for repurposing of BAU funding and time limits for usage of BAU funds.

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## Updated Policy and Procedures

Need to provide updated policy and procedural documents that specifically address BAU funding.



# Policy Background

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## History of BAU Processes

The BAU process has been around since the early 1980's and has been in the Public Unaudited Report since at least 2000 onwards. May have been even earlier but internal electronic records no longer exist.

## Summary of Fiscal Principles, Practices & Policies

The Summary of Fiscal Principles, Practices & Policies document was created as means of having a single document that has all the various financial policies, procedures, and practices identified. This document was first provided within the 2003-2005 Operating Budget and highlighted the BAU process.

CITY OF LETHBRIDGE

SUMMARY OF FISCAL  
PRINCIPLES, PRACTICES  
AND POLICIES

# Continuous Improvement in Process

## Prior to 2018

Prior to 2018, transfers to BAU were not consistently noted in the Unaudited Report narrative. However, the BAU schedule was provided within the report.

## 2018 Fiscal Yearend

Starting in 2018, there was enhanced internal processes to centralize and report on all BAU balances including the timeframes and background from departments

## March 2019

In 2019, the FS1 Approval, Funding and Reporting of Operating Budget Variances was updated to include the BAU policy/practice wording from the Summary of Fiscal Principles, Practices & Policies into the policy. Audit Committee reviewed the process in 2019 & 2021.



# 2019-2022 Efficiencies Made to BAU Process

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- Requiring departments to indicate estimated spend date in which BAUs will be spent, otherwise BAU funds will be transferred to the MRSR
- Requiring departments to provide appropriate backup to ensure the BAU is spent on what it was intended
- Centralized control of BAU funding being moved to departments



# FS1 Policy - BAU Policy Statement

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Where, in a given year's budget, the City provides for specified expenditures which at the year end are not expended/received, the business unit may transfer the unexpended funds with City Manager's approval. Such transfers are recorded in a reserve for budget appropriations unexpended.





# FS1 Policy – BAU Procedures

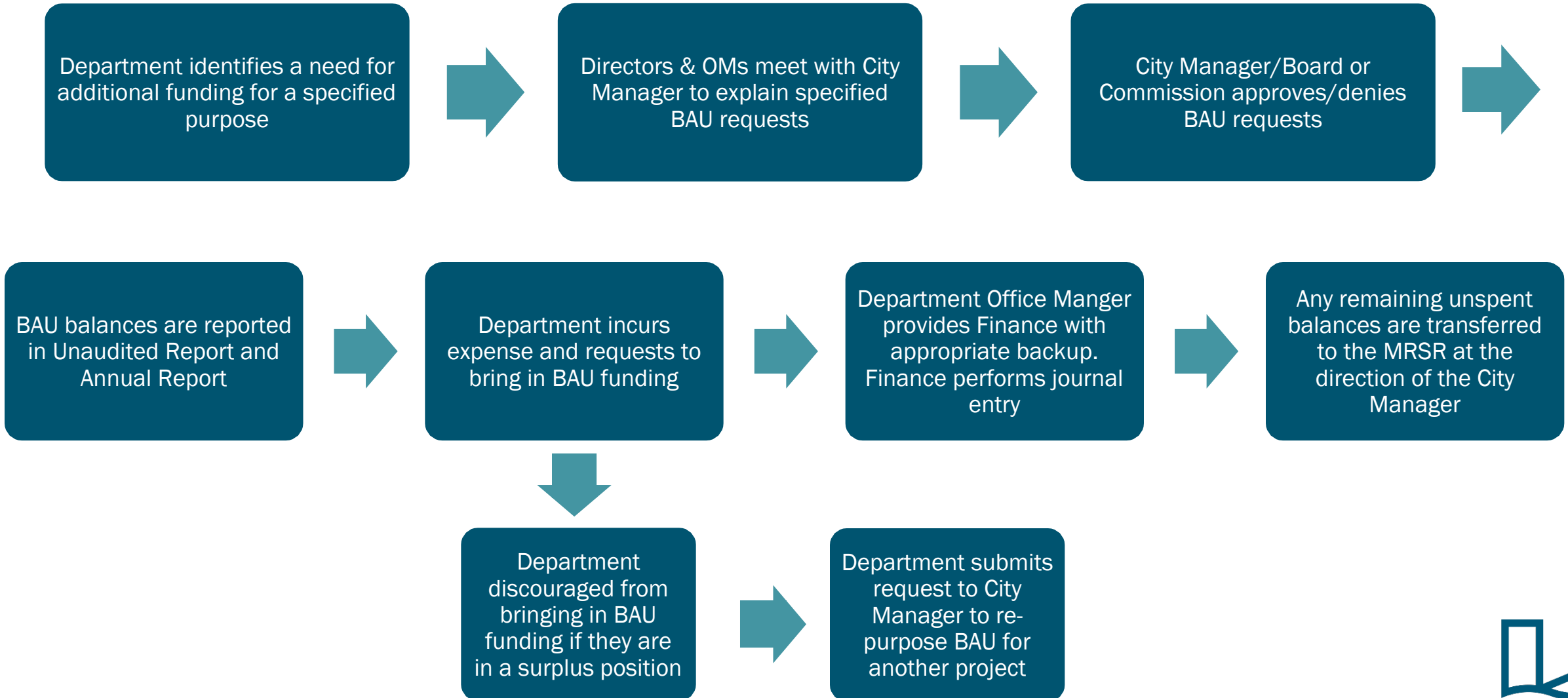
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## C. Budget Appropriation Unexpended/Capital Lifecycle Transfers

1. Business Unit Manager determines any expenditures which at year end will not be expended/received and creates memo to justify the need for the transfer, noting the description of the work and the expected timelines for use of funds.
2. The City Manager reviews or denies the request.
3. If approved amount is recorded in the Budget Appropriations Unexpended Reserve/Capital Fund.



# Historical BAU Process



# Public Reporting: Annual Report Summary of Reserves

**Five Year Summary of Reserves**  
For the Years Ended December 31, 2018 to 2022  
(in thousands of dollars)

	2022	2021	2020	2019	2018
<b>RESERVES</b>					
Municipal Revenue Stabilization	\$ 32,049	\$ 34,193	\$ 34,861	\$ 33,331	\$ 28,746
Fleet Services	23,402	22,426	19,799	22,754	22,184
Electric	16,791	11,930	10,066	4,323	4,595
Major Capital Projects	11,204	16,943	12,165	7,129	3,673
Real Estate Holdings	6,244	6,223	6,181	5,641	5,469
Budget Appropriations	5,340	15,954	20,921	15,680	12,450
Airport	5,229	3,944	3,867	472	-
Insurance	4,319	4,488	4,658	4,966	4,833
Urban Parks	3,485	3,647	3,242	2,567	2,102
Community Lighting	3,005	3,605	4,226	4,722	5,253
Cemeteries	2,097	2,028	1,627	1,397	1,347
Transit Bus	1,043	1,043	1,043	1,043	1,033
Acquire Off Street Parking	1,031	1,791	1,502	1,027	2,018
Central Business District Land Acquisition	687	687	686	685	684
Municipal Reserve Fund	378	371	314	306	298
Mayor Magrath Drive Beautification	118	117	115	113	111
<b>TOTAL RESERVES</b>	<b>\$ 116,422</b>	<b>\$ 129,390</b>	<b>\$ 125,273</b>	<b>\$ 106,156</b>	<b>\$ 94,796</b>

The Audited Financial Statements within the Annual Report reports the balance of BAU in note 17 as well as provides a 5-year summary within the Statistical Section to the public and Council



# Public Reporting: Annual Unaudited Report

Annual reporting is provided to City Council through the Unaudited Financial Information Report

**CITY OF LETHBRIDGE  
BUDGET APPROPRIATION UNEXPENDED  
AS AT DECEMBER 31, 2022**

Section B-2



	2022 Balance	2021 Balance
<b>Boards and Commissions</b>		
Galt Museum	-	\$ 92,000
Lethbridge Police Services	2,690	1,009,431
Lethbridge Public Library	250,500	341,874
<b>General Government</b>		
City Clerk	288,765	234,462
City Manager's Office & Communication	138,455	869,417
City Solicitor	345,655	309,655
Opportunity Lethbridge	163,361	177,288
<b>Corporate &amp; Customer Services</b>		
People & Culture	172,455	1,050,838
Treasury & Financial Services	438,847	375,582
Airport	64,518	205,818
<b>Community Services</b>		
Community & Social Development	688,336	613,499
ENMAX Centre	-	6,774
Fire & Emergency Services	1,501,504	2,120,722
Recreation & Culture	83,204	352,634
Regulatory Services	-	4,839
<b>Infrastructure Services</b>		
Planning & Design	138,080	224,676
Infrastructure Services Administration	261,051	400,473
Parks Maintenance and Management	238,206	285,000
Waste Processing	-	49,873
	<u>\$ 4,775,627</u>	<u>\$ 8,724,854</u>
<b>Directional Operating Funding</b>		
	-	-
<b>Operational Review Funding</b>		
	519,790	200,000
<b>Future COVID-19 Pressures</b>		
	44,500	1,170,019
<b>Current Year Unexpended (Note 1)</b>		
		2,567,426
<b>Prior Year Unexpended (Note 1)</b>		
		<u>\$ 3,291,283</u>
<b>Total</b>	<u>\$ 5,339,917</u>	<u>\$ 15,953,583</u>

Note 1 - At the end of the four year budget cycle, any remaining Department Rollover is transferred to the MRSR in accordance with City Council Resolution

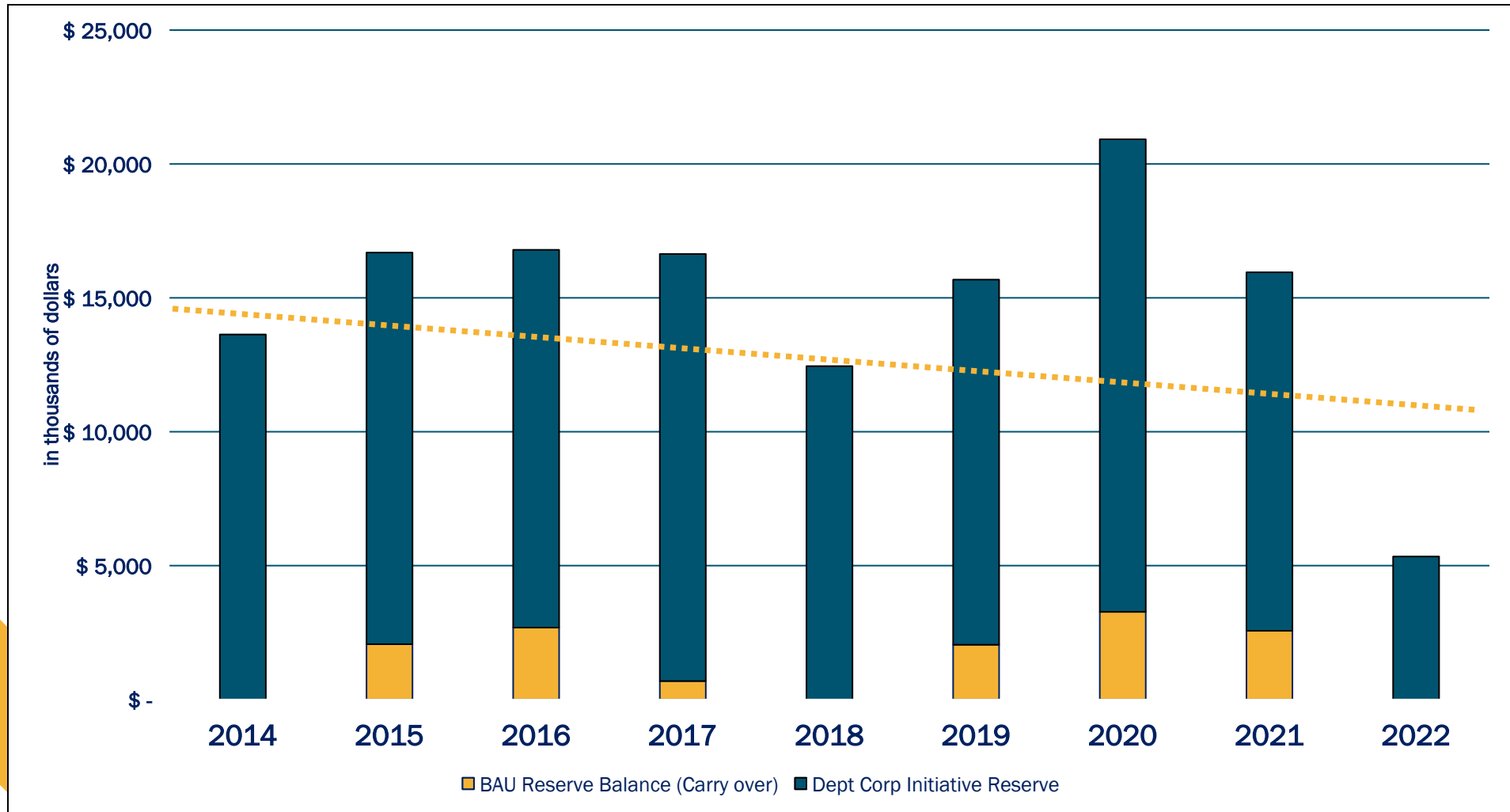
# 2022 BAU Procedure Improvements

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- Annual BAU Meeting: City Manager met with Directors and Office Managers to discuss new BAU requests, repurpose, and where not approved transfer to the MRSR.
- City Manager directed \$0.9 million of unused BAUs to the MRSR
  - Increased one-time funding available for Council over the 2023-2026 budget cycle



# Analysis of change in BAU



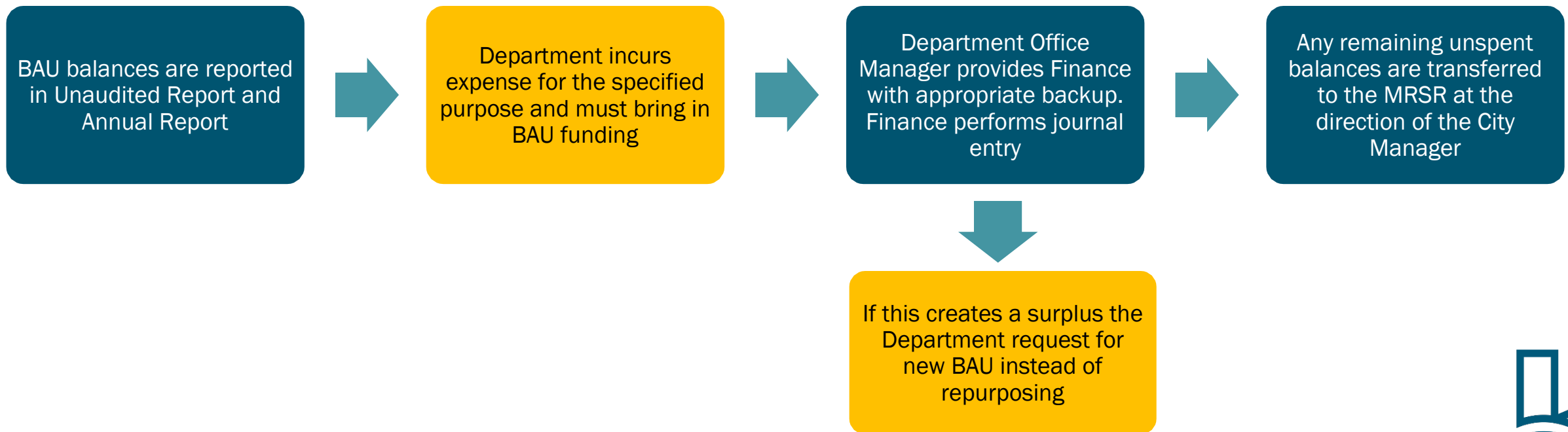
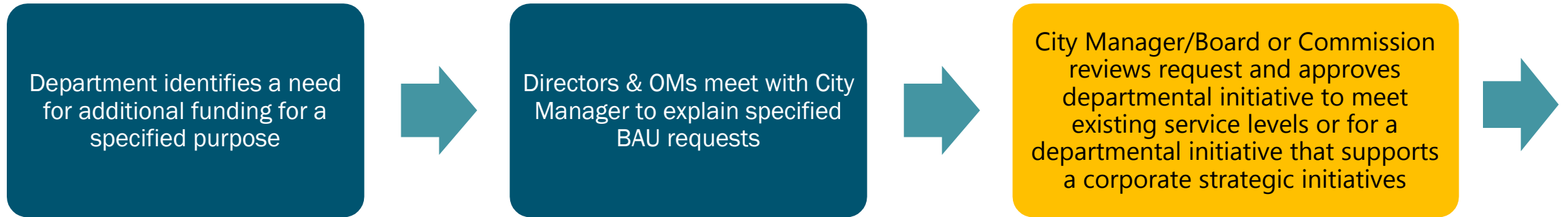
# 2023 Improvements to BAU Process

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- Departments will not be allowed to repurpose BAU funding.
  - During the operating budget cycle, any BAU initiatives that do not require the full allocation of funding will be transferred from their respective departmental initiative reserve to their BAU carry over.
  - At the end of the operating budget business cycle, any funding in the BAU carryover is transferred to the MRSR.
  - BAUs that are no longer required for their approved purpose will be transferred to the MRSR.
- Departments may request a new BAU allocation for a departmental initiative to meet existing City Manager approved service levels or for a departmental initiative that supports a corporate strategic initiatives at year-end
  - Departmental initiatives that facilitate corporate strategic priorities will take priority.
  - The City Manager will consider these requests for approval.



# 2023 BAU Process Improvements





# Future Improvements: Corporate BAU Process

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Create separate Departmental and Corporate Initiative Reserve. The benefits would include:

- Limiting confusion on what funding automatically goes to the MRSR at the end of the operating budget cycle
- Further transparency on departmental and corporate initiatives funding that need to continue between budget cycle
- The potential development of thresholds that can be placed in departmental initiative funding
- Further continuous improvements in tracking, identification, and allocation of funds

Maintain the Budget Appropriations Unexpended Reserve for carry over funding associated with multi-year budgeting.



# Future Improvements: Boards & Commission

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- Require receipt of formal resolutions from the Boards and Commission on approvals for initiative allocations
- Require boards and commission to follow the same policy requirements as City departments. This would include:
  - Eliminate repurposing of BAU funding.
    - During the operating budget cycle, any BAU initiatives that do not require the full allocation of funding will be transferred from their respective departmental initiative reserve to their BAU carry over reserve. At the end of the operating budget business cycle, any funding in the BAU carryover is transferred to the MRSR.
    - BAUs that are no longer required for their approved purpose will be transferred to the MRSR.
  - Boards and Commissions can request a new BAU allocation for current year surpluses for a departmental initiative to meet existing service levels at year-end



# Next steps

## **November 14, 2023: Economic & Finance SPC**

Public Presentation - update on the review of BAU Policies and Procedures

## **Q4 2024: City Council**

Approval of Audit Committee recommendations

## **Q3 2024: Audit Committee**

Draft Financial Policies and Procedures and the Budget Appropriations Unexpended Processes & Procedures Report



# Questions

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