

BUDGET 2019



POLICIES

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OPERATING AND CAPITAL BUDGETS

Date Issued: September 12, 2017

Mandated by: City Council

Current Revision: September 12, 2017

Cross Reference:

- Tangible Capital Assets Policy FIN-018-C
- Financial Reserves Policy FIN-021-C
- Allocation of Operating Budget Surplus Policy FIN-022-C

Next Review: January 1, 2019

Responsibility: Chief Financial Officer

PURPOSE

This Policy establishes principles and guidelines for the preparation of operating and capital budgets.

POLICY

The City shall develop and adopt operating and capital budgets in an accountable, open and transparent manner that takes into consideration Council's strategic priorities, anticipated revenues and expenses, and the short and long-term impacts to the City.

This Policy establishes principles for the preparation of operating and capital budgets in accordance with the *Municipal Government Act*. In some cases these principles will stand alone, while in others the principles will be further supported by separate policies established by Council.

DEFINITIONS

Annual Budget Process - shall mean the yearly development of the City's operating and capital budgets for review and deliberation by Council in November, and adoption by Council in December.

Base Budget - shall mean the previous year's approved operating budget adjusted for one-time revenues and expenses.

Capital Budget - shall mean the long-term financial plan for the proposed acquisition and financing of tangible capital assets, more commonly referred to as the 10 Year Capital Plan.

Capital Expenditure / Project - shall mean any expenditure, other than a major capital project, in excess of \$10,000 incurred to acquire, construct or improve a tangible capital asset used in the provision of municipal services.

City - shall mean the City of Fort Saskatchewan.

Council - shall mean the municipal Council of the City of Fort Saskatchewan.

Estimate Class - shall mean a cost estimate classification as defined by the American Society for Testing and Materials (ASTM) within its standard ASTM E2516-11. Estimate classes 1 through 5 define the accuracy range of an estimate, with 1 being the most accurate and 5 being the least accurate.

Major Capital Project - shall mean the construction of a tangible capital asset with total projected costs in excess of \$500,000.

Operating Budget - shall mean the financial plan for the purchase and financing of the City's day-to-day operations and includes expenses such as salaries, wages and benefits, and materials, supplies and utilities. After all own-source revenues have been accounted for, property taxes are levied to balance this budget.

Operating Plan Request - shall mean a proposed adjustment to the base budget that is recommended by Administration and presented to Council for deliberation.

Tangible Capital Assets - shall mean land, buildings, water and sewer systems, roads, infrastructure, machinery, vehicles, and equipment that has been purchased, constructed or contributed to the City and provides long-term benefits.

Utility Operations - shall mean a component of the operating budget that includes water distribution, wastewater collection and solid waste services with these specific services provided on a user pay basis, ensuring that users pay the full cost of utility services.

GUIDING PRINCIPLES

The adoption of the City's operating and capital budgets are among the most critical policy decisions made by Council. The annual budget process allows the City to prioritize projects, programs and services based on anticipated revenues and expenses, and allocate the resources to fund them.

Operating Budget:

1. Budget Requirement

Operating budgets shall be prepared annually on a rolling four-year basis. Council will adopt year one of the operating budget and will accept the remaining three-year financial plan operating forecasts as information.

2. Base Budget

Operating budgets shall be developed based on the principle of sustaining established and Council approved programs and service levels. As such, the previous year's approved operating budget will be used as the starting point for development of the current year's operating budget.

3. Balanced Budget

- a. The City shall adopt a balanced budget with operating revenues equal to operating expenditures. Under limited circumstances, the approved operating budget may be amended to reflect approved Council motions.

- b. Any year end operating budget surpluses shall be allocated in accordance with Allocation of Operating Budget Surplus Policy FIN-022-C.

4. Multi-Year Approach

- a. The City shall incorporate a multi-year approach to the annual budget process. This approach reinforces the commitment to sustain a financially viable municipality, and communicates the City's short and long-term plans to residents, businesses, and other stakeholders.
- b. Operating budgets and financial plan operating forecasts shall include the operating impacts of approved capital projects and capital projects proposed within the 10 Year Capital Plan.

5. Budget Reallocations

Reallocations to the base budget shall be permitted in the preparation of operating budgets provided that the net effect on revenues and/or expenses is zero, and there is no net increase to budgeted salaries, wages and benefits. Budget reallocations do not require separate approval by Council.

6. Capital Funding

- a. Annual capital funding shall consist of a base funding amount within the approved operating budget that supports the 10 Year Capital Plan through funding of new, one-time capital expenditures.
- b. Operating budgets shall provide adequate capital funding to support the lifecycle maintenance and replacement of the City's tangible capital assets over the long-term in accordance with Financial Reserves Policy FIN-021-C.

7. New Permanent Staff Positions

- a. As part of the annual budget process, Administration shall present requests for new permanent staff positions as operating plan requests to Council. Only under unique circumstances will Council consider these types of plan requests over the course of the budget year.
- b. Operating plan requests for new permanent staff positions shall be:
 - i. budgeted based on a start date of April 1, or the actual start date if known, and
 - ii. budgeted at an initial midpoint salary grade level, or equivalent, as defined within the relevant collective agreement, or the actual salary grade level if known.
- c. In addition to direct staffing costs, operating plan requests for new permanent staff positions shall include any related equipment costs (e.g. office equipment, computers, cell phones, etc.) required by the position.

8. Current Staff Positions

The operating budget shall include provisions for staff vacancies and salary grade levels based on actual historic staff vacancy trends and salary grade levels. These provisions shall be determined annually and applied at the corporate level.

9. Revenues

a. Revenue Estimates

Operating revenues shall be estimated conservatively using an objective, analytical approach based on actual historic trends, predictive statistical analysis and professional judgment.

b. Revenue Diversification

Revenue diversification is an important consideration in the preparation of operating budgets, since the City has limited revenue raising tools available. After property taxes, user fees, fines and penalties are the most significant source of own-source revenue. A consistent and planned approach to the setting of user fees, fines and penalties shall be taken to protect this vital revenue source.

- i. The City shall charge fees for services where applicable and cost effective to do so. These fees shall be listed in the Fees & Charges Bylaw.
- ii. The City shall charge fines and penalties as permitted through policy, bylaw or other legislation.
- iii. The City shall endeavor to maximize cost recovery where applicable and cost effective to do so. Also, consideration shall be given to user affordability and regional competitiveness.
- iv. The City shall continuously pursue new and diverse revenues so as to limit the dependence on one, or only a few sources of revenue in order to maintain approved service levels.

c. Grant Revenue

The City shall continuously pursue federal, provincial and private operating grants, but will strictly limit financial support of these programs to avoid commitments which continue beyond funding availability.

d. One-Time and Unpredictable Revenues

One-time and unpredictable revenues, such as proceeds on sale of property, shall not be relied upon to fund ongoing expenditures, rather they shall be applied to:

- i. reserves in accordance with Financial Reserves Policy FIN-021-C; and/or
- ii. one-time expenditures; and/or
- iii. repayment of outstanding debt.

e. Unconditional New Operating Revenues

When the City creates or receives a new, stable, lasting and unconditional revenue source, Administration shall present an operating plan request to Council that recommends either:

- i. new programs or services; and/or
- ii. changes to existing programs or services; and/or
- iii. reductions to the property tax levy; and/or
- iv. additional debt repayment; and/or
- v. increases in reserve allocations.

10. Expenses

Operating expense projections shall be estimated using an objective, analytical approach based on actual historic trends, predictive statistical analysis and professional judgment.

11. Utility Operations

Utility operations shall be funded on a user pay basis such that users pay the full costs of utility services at rates established and approved by Council annually.

Capital Budget:

12. Budget Requirement

Capital budgets shall be prepared annually on a rolling ten-year basis. Council will give Administration approval to execute on year one of the 10 Year Capital Plan and will accept the remaining years as information. Under limited circumstances, the approved capital budget may be amended to reflect approved Council motions.

13. Capital Project Thresholds

Capital budgets shall only include capital projects with total projected costs in excess of \$10,000 in accordance with Tangible Capital Assets Policy FIN-018-C.

14. Asset Management

The City shall operate under an asset management framework, which includes the compilation and maintenance of a full tangible capital asset inventory that includes a condition based assessment and lifecycle plans to support the maintenance and replacement of tangible capital assets.

15. Multi-Year Capital Projects

- a. Capital projects with a completion timeframe of more than one budget year shall be identified as multi-year capital projects within the 10 Year Capital Plan.

- b. The total cost of a multi-year capital project shall be considered and deliberated by Council as part of the current year's capital budget.

16. Major Capital Projects

Where a major capital project requires design work to be completed to determine a Class 3 or better estimate, the project shall be approved by Council in 2 phases:

- a. Under phase 1, Council will approve 50% of the design money for the project based on a Class 5 estimate. The design process is started, refining the scope and project definition leading to a Class 2 or better estimate.
- b. Under phase 2, Council will approve the remainder of the design and construction budgets based on a Class 2 or better estimate.

17. Capital Financing

Several financing sources are available to fund capital projects including, but not limited to, federal and provincial grants, capital reserves, long-term debt and annual capital funding.

- a. Each capital project identified within the 10 Year Capital Plan shall include a planned capital financing source.
- b. Capital financing sources shall be reviewed annually to ensure that the allocation of funds are appropriate and that capital grants have been fully utilized.
- c. The future impacts of proposed capital projects on property tax rates, reserves, debt limits and debt service limits shall be included as part of the capital budget, or presented separately, where applicable.

18. Changes in Scope

Over the course of the budget year, there may be opportunities to change the scope of an approved capital project due to higher or lower than expected revenue or costs. The original scope of an approved capital project shall only be changed subject to Council approval.

Debt Management:

The City recognizes that debt management is an important long-term planning tool for reaching and achieving the City's objective of sustaining a financially viable municipality. The City also recognizes that excessive debt reduces the City's flexibility and its ability to respond effectively to unforeseen challenges.

- 19. Long-term debt shall be used to finance the purchase or construction of tangible capital assets having long term benefits. This asset category generally includes land, buildings, recreational facilities, water and sewer systems, and other major infrastructure, and excludes machinery, vehicles and equipment.
- 20. The use of long-term debt to finance long-term capital projects mitigates cost increases that could arise from the deferral of these projects, and ensures that long-term capital project costs are fairly and equitably distributed across generations that benefit from the underlying assets.

21. Long-term debt shall not be used to fund operating expenditures.

Property Tax Strategy:

The City relies on property taxes as an essential source of revenue to fund programs and infrastructure to support residents, businesses and industry.

22. The setting of property tax rates requires judgment on the part of Council with multiple factors to consider, balancing the interests of the overall community to distribute the tax burden fairly and equitably, while maintaining an affordable environment for residents, businesses and industry.
23. The property tax rates and corresponding annual tax increases / decreases established for budget purposes are reflective of estimates of assessment growth and market value changes.
24. The property tax bylaw finalizes assessment growth and market value changes for property tax rates and corresponding annual tax increases / decreases established at the time of bylaw adoption.

AUTHORITY / RESPONSIBILITY TO IMPLEMENT

1. The City Manager is responsible for administrative compliance and monitoring of this Policy.
2. The City Manager may delegate responsibility to the Chief Financial Officer to establish and administer compliance with this Policy, and for compliance with City Bylaws, the *Municipal Government Act*, and other applicable legislation.



FINANCIAL RESERVES

Date Issued: July 10, 2017, R149-17

Mandated by: City Council

Current Revision: July 10, 2017

Cross Reference:

- School Playground Grant Program Procedure FIN-019-C
- Allocation of Operating Budget Surplus Policy FIN-022-C

Next Review: July 10, 2018

Responsibility: Chief Financial Officer

PURPOSE

A major objective of the City is to sustain financial viability, provide an adequate level of municipal services, and support the City's long term capital plan. The City recognizes that an important component for reaching and maintaining this objective is the establishment of reserves.

This policy provides consistent standards and guidelines for the management of existing reserves and the establishment of new reserves.

POLICY

The City shall establish reserves and commit funds on an ongoing basis for future funding requirements, stabilization of fluctuations in operating and capital activities, contingency funding, and to reduce the need for debt financing. The City shall manage reserves in a responsible manner and use reserve funds solely for the specific purpose previously determined.

DEFINITIONS

City – shall mean the City of Fort Saskatchewan.

Committed Balance – shall mean funds approved by Council to be applied towards specific expenditures.

Council – shall mean the municipal Council of the City of Fort Saskatchewan.

Designated Balance – shall mean funds designated to a reserve for a specific purpose, which has not yet been approved by Council to be applied towards a specific expenditure. Reserve funds remain designated for the specific purpose as outlined in the reserve report.

Interest Bearing – shall mean, where applicable, annual interest is earned on the reserve balance and is retained in the reserve. Interest will be paid to those reserves where funding has come from external

sources. If a reserve is deemed interest bearing, interest is applied to the respective reserve, and reinvested; otherwise, interest is applied to operations.

Optimal Balance – shall mean, where applicable, a recommended balance for the reserve to ensure that the respective balances are not depleted to the degree that those balances are no longer available to serve their intended purposes.

Redesignation of Reserve Funds – shall mean the process to change the purpose of reserve funds by transferring the funds from one reserve to another.

Release of Reserve Funds – shall mean reserve funds for which the purpose has been fulfilled or changed and is consequently closed. Any remaining funding will be identified for redesignation to another reserve.

RESERVE CATEGORIES

Contingency Reserves – A reserve category capturing the reserves established to provide non-designated funds to stabilize the temporary impact of unforeseen, non-recurring, emergent, one-time expenditures or losses of revenue and to ensure service levels.

Projects Reserves – A reserve category capturing the reserves that are established to fund operating and capital projects or future operations.

Infrastructure Lifecycle, Maintenance, and Replacement Reserves – A reserve category capturing the reserves that are established to fund expenditures for the repair, lifecycle replacement, or upgrade of City infrastructure, equipment or vehicles.

Other Reserves – A reserve category capturing other reserves that have a 1:1 relationship with the reserve description.

Developer Levy Reserves - A reserve category capturing the reserves established to hold developer levies collected through developer agreements to fund new assets/infrastructure required due to the growth of the City without placing an undue burden on existing City resources.

Utilities Infrastructure Lifecycle, Maintenance, and Replacement Reserves – A reserve category capturing the reserve established to provide funds to assist in meeting future requirements for the expansion, replacement, refurbishment, and maintenance of utility assets or infrastructure as well as for operating and capital projects required to meet customer service delivery objectives.

GUIDING PRINCIPLES

1. All reserve transactions will be approved by Council prior to the transaction occurring.
2. All reserves must include all fields required in the reserve report. A reserve report contains the following:
 - Reserve name
 - Reserve category
 - Overall purpose of the reserve
 - Source(s) of funding

- Specific use of funds
 - Optimal balance formula, if applicable
 - Duration of the reserve
 - Whether or not the reserve is interest bearing
 - The coordinator(s) of the reserve
 - Schedule of review
3. Reserves will be funded from either internal or external sources as defined in the reserve report.
 4. Where appropriate, each reserve will be supported by a 5-year projection for receipt and disbursement of funds. These projections will be updated annually by the appropriate Department as part of the budget process. All reserve accounts must be presented in the City's annual budget documents.
 5. Strategies to maintain the recommended optimal balance will be addressed by the appropriate Department through budget cycles. The appropriate Department shall prepare an action plan to return a reserve back into compliance when:
 - A reserve has been over funded and has exceeded its recommended optimal balance as approved by Council; or
 - A reserve has been under funded and has not maintained its recommended optimal balance as approved by Council.
 6. As part of the year end process, reserves which have a recommended optimal balance will be assessed in comparison to the actual balance. Reserves which are lower than their recommended optimal balance will be considered in the distribution of an annual operating budget surplus. If the funding source allows for it, reserves which exceed their recommended optimal balance will be considered for redesignation.
 7. Interest is allocated to reserve balances based on the City's annual average interest earned on investments. Interest earnings will be applied to the reserves which have been deemed interest bearing as indicated in the reserve report.
 8. This Policy will be reviewed by Administration annually. Unless otherwise stated in the reserve report, reserve schedules and balances will be reviewed annually.

AUTHORITY / RESPONSIBILITY TO IMPLEMENT

1. It is the responsibility of the Chief Financial Officer to administer compliance with this Policy, and for compliance with City Bylaws, the Municipal Government Act, and other applicable legislation. The CFO is responsible for the administration of the City's reserves by reviewing and recommending appropriate reserve usage.
2. It is the responsibility of department Directors to be in compliance with this Policy. Departments must notify Finance when reserve funding for expenditures is required. Departments will need to partner with Finance annually to confirm reserve structure and recommended optimal balances.

SCHEDULE OF RESERVES

Municipal Reserves

Contingency Reserves

- Financial Stabilization Reserve
- Snow Removal Reserve

Projects Reserves

- Fire Waterline Reserve
- Future Facility Operating Reserve
- Land Purchases Reserve
- Parks Reserve
- Perpetual Care Reserve
- Capital Projects Reserve

Infrastructure Lifecycle, Maintenance, and Replacement Reserves

- Harbour Pool Lifecycle Reserve
- Culture Services Equipment & Exhibits Reserve
- Dow Centennial Centre Equipment Lifecycle Reserve
- Facility Lifecycle Maintenance Reserve
- Fire Equipment Reserve
- Information Technology Equipment Reserve
- Mobile Equipment & Vehicle Fleet Reserve
- Protective Services Equipment Reserve

Other Reserves

- Art in Public Places Reserve
- Drug Abuse Resistance Education (D.A.R.E.) Reserve
- Economic Development Reserve
- Family & Community Support Services Reserve
- Health, Safety, and Wellness Reserve
- Transportation Assistance Reserve
- Westpark Estate Community Enhancement Reserve

Developer Levy Reserves

- Fort Centre Offsite Levy Reserve
- Medium Industrial Offsite Levy Reserve
- Southfort Offsite Levy Reserve
- Westpark Estates Offsite Levy Reserve

Utilities Reserves

Infrastructure Lifecycle, Maintenance, and Replacement Reserves

- Utilities Infrastructure Reserve

Reserve Name:	Financial Stabilization Reserve
Reserve Category:	Contingency Reserves
Purpose:	A contingency fund for emergent, non-recurring, one-time expenditures or loss of revenues that will not be built into the operating budget in future years
Source of Funding:	<ol style="list-style-type: none">1) Allocation of the annual operating budget surplus2) Unspent portion of funding pertaining to completed projects3) If deemed appropriate, annual contributions from operations4) Other sources as approved by Council
Use of Funds:	The funds are not designated and can be used to protect the City against any unforeseen operating costs that will cause the City to incur an operating deficit. Funds will be used for stabilizing unbudgeted impacts as a result of unanticipated events. Examples are losses incurred due increased emergency response costs, unforeseen climactic events, declines in revenues, special projects, or other items that would result in an overall deficit.
Optimal Balance:	Balance of funds already committed to specific projects plus two months of the City's operating expenditures.
Duration:	Ongoing
Interest Bearing:	No
Coordinator:	Chief Financial Officer
Review Schedule:	Last review: July 2017 Next review: July 2018

Reserve Name:	Snow Removal Reserve
Reserve Category:	Contingency Reserves
Purpose:	To provide funds for emergency use for the snow/ice removal program
Source of Funding:	<ol style="list-style-type: none">1) Unspent portion of funding pertaining to the snow and ice removal operating budget2) If deemed appropriate, annual contributions from operations3) If deemed appropriate, allocation of the annual operating budget surplus4) Other sources as approved by Council
Use of Funds:	Major, unforeseen snow/ice events
Optimal Balance:	50% of the snow and ice removal operating budget
Duration:	Ongoing
Interest Bearing:	No
Coordinator:	Director, Infrastructure Management
Review Schedule:	Last review: July 2017 Next review: July 2018

Reserve Name:	Fire Waterline Reserve
Reserve Category:	Projects Reserves
Purpose:	To provide funds for future fire waterline construction/replacement
Source of Funding:	Established with funds received from Dow Chemical in 1981; no annual contributions
Use of Funds:	Funds have been allocated to the Medium Industrial Secondary Water Supply Line project
Optimal Balance:	N/A
Duration:	Ongoing – Until current funds are disbursed
Interest Bearing:	No
Coordinator:	Director, Project Management
Review Schedule:	Last review: July 2017 Next review: July 2020

Reserve Name:	Future Facility Operating Reserve
Reserve Category:	Projects Reserves
Purpose:	To set aside funds for future operating costs associated with the expansion of the City's facilities
Source of Funding:	<ol style="list-style-type: none">1) Annual contributions from operations2) Unspent portion of funding pertaining to completed projects3) If deemed appropriate, allocation of the annual operating budget surplus4) Other sources as approved by Council
Use of Funds:	To fund the capital development, operation, and debt repayments (if applicable) of new City facilities
Optimal Balance:	Projected operating impacts (including debenture costs if applicable) of any new facility anticipated to be completed within the next fiscal year
Duration:	Ongoing
Interest Bearing:	No
Coordinator:	Chief Financial Officer
Review Schedule:	Last review: July 2017 Next review: July 2018

Reserve Name:	Land Purchases Reserve
Reserve Category:	Projects Reserves
Purpose:	To fund future land purchases or improvements to City land for development and/or sale
Source of Funding:	<ol style="list-style-type: none">1) Proceeds from the sale of land2) Allocation of the annual operating budget surplus3) Unspent portion of funding pertaining to completed projects4) If deemed appropriate, annual contributions from operations5) Other sources as approved by Council
Use of Funds:	<ol style="list-style-type: none">1) Future purchases of land2) Servicing costs3) Payments on debentures which have been issued for land acquisitions4) Costs associated with the purchase or disposal of land (e.g. advertising, surveys, appraisals, real estate commissions, legal costs, subdivision fees)5) Cost of improvement of City owned land which has not yet been developed or recently purchased land (e.g. fencing, clearing, demolition of buildings, or any other expenditure that maintains or increases the value of the land)
Optimal Balance:	50% of projected land purchases within the City's 10 year capital plan
Duration:	Ongoing
Interest Bearing:	No
Coordinator:	Chief Financial Officer
Review Schedule:	Last review: July 2017 Next review: July 2018

Reserve Name:	Parks Reserve
Reserve Category:	Projects Reserves
Purpose:	<p>This reserve is made up of restricted and unrestricted balances.</p> <ol style="list-style-type: none">1) Restricted: To set aside funds provided in place of municipal reserve, school reserve, or municipal and school reserve and the interest earned on that money as per Section 671 of the Municipal Government Act, RSA 2000, Chapter M-262) Unrestricted: To set aside funds for parks and playground maintenance or upgrades and projects within the river valley
Source of Funding:	<ol style="list-style-type: none">1) Restricted:<ul style="list-style-type: none">• Payments for development in lieu of providing park space in accordance with Section 671 of the MGA2) Unrestricted:<ul style="list-style-type: none">• Annual contributions from operations• Unspent portion of funding pertaining to completed projects• If deemed appropriate, allocation of the annual operating budget surplus• Other sources as approved by Council
Use of Funds:	<ol style="list-style-type: none">1) Restricted: Purchase of park, public recreation, school and buffer land, or constructing improvements on any such land. The monies must be allocated between the municipality and the school authority, in accordance with any agreement.2) Unrestricted: Enhancements to existing parks and playgrounds, playground structure lifecycle replacements, playground grants, and river valley enhancements
Optimal Balance:	<p>Restricted: N/A</p> <p>Unrestricted: Five year average of the annual capital forecast of the relevant assets</p>
Duration:	Ongoing
Interest Bearing:	Yes – Restricted portion only
Coordinator:	City Manager Chief Financial Officer Director, Planning & Development Director, Infrastructure Management Manager, Parks Services
Review Schedule:	<p>Last review: July 2017</p> <p>Next review: July 2018</p>

Reserve Name:	Perpetual Care Reserve
Reserve Category:	Projects Reserves
Purpose:	To provide funding for the perpetual care of the cemetery
Source of Funding:	<ol style="list-style-type: none">1) Annual contributions from operations. For near term sustainment and development outlined in the Cemetery Master Plan, 100% of regular plot, monument foundation, and columbarium niche revenue. For future development of Phase 3 outlined in the Cemetery Master Plan, annual contributions designated to meet cost requirements at the time of development.2) Unspent portion of funding pertaining to completed projects3) If deemed appropriate, allocation of the annual operating budget surplus4) Other sources as approved by Council
Use of Funds:	For maintenance and capital costs as required to sustain and develop the cemetery
Optimal Balance:	Five year average of the annual capital forecast outlined in the Cemetery Master Plan
Duration:	Ongoing
Interest Bearing:	Yes – Revenue portion only
Coordinator:	Director, Infrastructure Management Manager, Parks Services
Review Schedule:	Last review: July 2017 Next review: July 2018

Reserve Name:	Capital Projects Reserve
Reserve Category:	Projects Reserves
Purpose:	<ol style="list-style-type: none">1) To fund capital projects as determined in the annual capital budget2) To hold annual capital funding3) Contingency funding for unforeseen projects or emergency needs
Source of Funding:	<ol style="list-style-type: none">1) Allocation of the annual operating budget surplus2) Unspent portion of funding pertaining to completed projects3) Expired debenture funds to be used to offset future debenture payments4) Annual capital funding from operations5) If deemed appropriate, annual contributions from operations6) Other sources as approved by Council
Use of Funds:	Capital projects or infrastructure investments that are not specifically funded from other established reserves or are not eligible for grant funding
Optimal Balance:	Balance of funds already committed to specific projects plus balance of funds identified as Capital Projects Reserve funded for the next 5 years in the 10 year capital plan
Duration:	Ongoing
Interest Bearing:	No
Coordinator:	Chief Financial Officer
Review Schedule:	Last review: July 2017 Next review: July 2018

Reserve Name:	Harbour Pool Lifecycle Reserve
Reserve Category:	Infrastructure Lifecycle, Maintenance, and Replacement Reserves
Purpose:	For replacement and upgrading of aquatic system components and equipment
Source of Funding:	<ol style="list-style-type: none">1) Annual contributions from operations equal to at least 10% of the value of the relevant assets (valued at historical cost)2) Unspent portion of funding pertaining to completed projects3) If deemed appropriate, allocation of the annual operating budget surplus4) Other sources as approved by Council
Use of Funds:	Purchase and maintenance of aquatic system components and equipment such as re-grouting of the pool basin, pool heating system, pool pumps, epoxy coating of filter tanks, lockers, deck furniture, bleachers, spray toys, sound system, etc.
Optimal Balance:	Five year average of the annual capital forecast of the relevant assets
Duration:	Ongoing
Interest Bearing:	No
Coordinator:	Director, Recreation Aquatics Operations Supervisor
Review Schedule:	Last review: July 2017 Next review: July 2018

Reserve Name:	Culture Services Equipment & Exhibits Reserve
Reserve Category:	Infrastructure Lifecycle, Maintenance, and Replacement Reserves
Purpose:	For replacement and upgrading of culture services equipment and exhibits
Source of Funding:	<ol style="list-style-type: none">1) Annual contributions from operations equal to at least 8% of the value of the relevant assets (valued at historical cost)2) Unspent portion of funding pertaining to completed projects3) If deemed appropriate, allocation of the annual operating budget surplus4) Other sources as approved by Council
Use of Funds:	<ol style="list-style-type: none">1) Theatre equipment (sounds and lighting consoles, speakers, stage floor, ticketing system, etc.)2) Fort Heritage Precinct exhibits3) NWMP Fort palisade walls4) Portable art gallery display walls and display cases
Optimal Balance:	Five year average of the annual capital forecast of the relevant assets
Duration:	Ongoing
Interest Bearing:	No
Coordinator:	Director, Culture Shell Theatre Supervisor
Review Schedule:	Last review: July 2017 Next review: July 2018

Reserve Name:	Dow Centennial Centre Equipment Lifecycle Reserve
Reserve Category:	Infrastructure Lifecycle, Maintenance, and Replacement Reserves
Purpose:	For replacement and upgrading of equipment and recreation components within the Dow Centennial Centre
Source of Funding:	<ol style="list-style-type: none">1) Annual contributions from operations equal to at least 10% of the value of the relevant assets (valued at historical cost)2) Unspent portion of funding pertaining to completed projects3) If deemed appropriate, allocation of the annual operating budget surplus4) Other sources as approved by Council
Use of Funds:	<ol style="list-style-type: none">1) Equipment such as floor machines, Genie lift, commercial vacuums, AV equipment, etc.2) Lockers, turf replacement, divider curtains, ice compressors, scoreboards, etc.3) Purchase of new fitness equipment not currently at the facility and spin bike fleet replacement4) Electronic sign
Optimal Balance:	Five year average of the annual capital forecast of the relevant assets
Duration:	Ongoing
Interest Bearing:	No
Coordinator:	Director, Recreation Manager, Dow Centennial Centre
Review Schedule:	Last review: July 2017 Next review: July 2018

Reserve Name:	Facility Life Cycle Maintenance Reserve
Reserve Category:	Infrastructure Lifecycle, Maintenance, and Replacement Reserves
Purpose:	To provide funds for the scheduled repair, maintenance, and replacement of tangible capital assets in existing City facilities. Assets which are part of the building envelope, are structural in nature, or essential to the building operation of the facility are covered under this reserve.
Source of Funding:	<ol style="list-style-type: none">1) Unspent portion of funding pertaining to postponed or completed projects2) If deemed appropriate, annual contributions from operations3) If deemed appropriate, allocation of the annual operating budget surplus4) Other sources as approved by Council
Use of Funds:	To fund facility lifecycle maintenance projects such as the replacement of roofs, boilers, HVAC systems, flooring, exterior doors, exterior windows, exterior siding, and restoration of the exterior historical assets.
Optimal Balance:	Five year average of the annual capital forecast of the relevant assets
Duration:	Ongoing
Interest Bearing:	No
Coordinator:	Director, Project Management Manager, Facilities Services
Review Schedule:	Last review: July 2017 Next review: July 2018

Reserve Name:	Fire Equipment Reserve
Reserve Category:	Infrastructure Lifecycle, Maintenance, and Replacement Reserves
Purpose:	For replacement and upgrading of fire equipment
Source of Funding:	<ol style="list-style-type: none">1) Annual contributions from operations equal to at least 7% of the value of the relevant assets (valued at historical cost)2) Unspent portion of funding pertaining to completed projects3) If deemed appropriate, allocation of the annual operating budget surplus4) Other sources as approved by Council
Use of Funds:	Purchase of fire equipment such as breathing apparatus, gear washers, communications equipment, vehicle replacements, and other fire apparatus
Optimal Balance:	Five year average of the annual capital forecast of the relevant assets
Duration:	Ongoing
Interest Bearing:	No
Coordinator:	Fire Chief
Review Schedule:	Last review: July 2017 Next review: July 2018

Reserve Name:	IT Equipment Reserve
Reserve Category:	Infrastructure Lifecycle, Maintenance, and Replacement Reserves
Purpose:	For replacement and upgrading of IT equipment
Source of Funding:	<ol style="list-style-type: none">1) Annual contributions from operations equal to at least 12.5% of the value of the relevant assets (valued at historical cost)2) Unspent portion of funding pertaining to completed projects3) If deemed appropriate, allocation of the annual operating budget surplus4) Other sources as approved by Council
Use of Funds:	Purchase of IT hardware and software such network infrastructure, computer hardware, audio visual equipment, software systems, and licenses
Optimal Balance:	Five year average of the annual capital forecast of the relevant assets
Duration:	Ongoing
Interest Bearing:	No
Coordinator:	Director, Information Technology
Review Schedule:	Last review: July 2017 Next review: July 2018

Reserve Name:	Mobile Equipment & Vehicle Fleet Reserve
Reserve Category:	Infrastructure Lifecycle, Maintenance, and Replacement Reserves
Purpose:	For replacement and upgrading of the City's mobile equipment and vehicle fleet
Source of Funding:	<ol style="list-style-type: none">1) Annual contributions from operations equal to at least 10% of the value of the relevant assets (valued at historical cost)2) Unspent portion of funding pertaining to completed projects3) If deemed appropriate, allocation of the annual operating budget surplus4) Other sources as approved by Council
Use of Funds:	Purchase of vehicles, Zambonis, machinery, and equipment
Optimal Balance:	Five year average of the annual capital forecast of the relevant assets
Duration:	Ongoing
Interest Bearing:	No
Coordinator:	Director, Project Management Director, Infrastructure Management Manager, Facilities Services Manager, Parks Services
Review Schedule:	Last review: July 2017 Next review: July 2018

Reserve Name:	Protective Services Equipment Reserve
Reserve Category:	Infrastructure Lifecycle, Maintenance, and Replacement Reserves
Purpose:	For replacement and upgrading of protective services equipment
Source of Funding:	<ol style="list-style-type: none">1) Annual contributions from operations equal to at least 15% of the value of the relevant assets (valued at historical cost)2) Unspent portion of funding pertaining to completed projects3) If deemed appropriate, allocation of the annual operating budget surplus4) Other sources as approved by Council
Use of Funds:	Purchase of protective services equipment such as intersection safety device camera systems, telephone recording systems, radios, and other required equipment
Optimal Balance:	Five year average of the annual capital forecast of the relevant assets
Duration:	Ongoing
Interest Bearing:	No
Coordinator:	Director, Protective Services
Review Schedule:	Last review: July 2017 Next review: July 2018

Reserve Name:	Art in Public Places Reserve
Reserve Category:	Other Reserves
Purpose:	To provide funds for the purchase and maintenance of City wide public art. These funds will be used to increase public awareness and appreciation of the arts, stimulate growth of the arts, and to build a civic art collection.
Source of Funding:	1) Annual contributions from operations 2) Unspent portion of funding pertaining to completed projects 3) If deemed appropriate, allocation of the annual operating budget surplus 4) Other sources as approved by Council
Use of Funds:	For the purchase of City wide public art and the management and maintenance of the public art program. Public artworks can include, but are not limited to: sculptures, paintings, drawings, installations, prints, photography, murals, mosaics, or multi-media projects.
Optimal Balance:	Cost of projects identified to be completed within the next fiscal year
Duration:	Ongoing
Interest Bearing:	No
Coordinator:	Director, Culture
Review Schedule:	Last review: July 2017 Next review: July 2018

Reserve Name:	Drug Abuse Resistance Education (D.A.R.E.) Reserve
Reserve Category:	Other Reserves
Purpose:	To manage funds for the D.A.R.E. program on behalf of the RCMP
Source of Funding:	1) Community donations 2) Annual surplus of the D.A.R.E. program
Use of Funds:	D.A.R.E. program
Optimal Balance:	N/A
Duration:	Ongoing
Interest Bearing:	Yes
Coordinator:	RCMP
Review Schedule:	Last review: July 2017 Next review: July 2020

Reserve Name:	Economic Development Reserve
Reserve Category:	Other Reserves
Purpose:	Funding for enhancement and development of commercial and industrial areas of the City
Source of Funding:	<ol style="list-style-type: none">1) Annual contributions are from 10% of the annual business license fee collected2) AIHA seed funding reimbursement3) Unused fund from Business Support Grants4) Other sources as approved by Council
Use of Funds:	Any investment attraction project which improves or develops commercial and industrial areas of the City.
Optimal Balance:	N/A – Disbursements will be decided based on funds available at the time
Duration:	Ongoing
Interest Bearing:	No
Coordinator:	Director, Economic Development
Review Schedule:	Last review: July 2017 Next review: July 2018

Reserve Name:	Family & Community Support Services Reserve
Reserve Category:	Other Reserves
Purpose:	Funding can be used for any social project undertaken by the City. This reserve was established in 1991 to help offset the cost of homecare; however, Alberta Health Services has since taken over the homecare program.
Source of Funding:	Originally funded through the Federal Canada Assistance Plan grant which ended in 1997; no annual contributions
Use of Funds:	Funding can be used for any social project; mentorship programs, youth conferences, guest speakers at community engagements, etc.
Optimal Balance:	N/A
Duration:	Ongoing – Until current funds are disbursed
Interest Bearing:	No
Coordinator:	Director, FCSS
Review Schedule:	Last review: July 2017 Next review: July 2020

Reserve Name:	Health, Safety, and Wellness Reserve
Reserve Category:	Other Reserves
Purpose:	To provide funds for preventative and proactive health, safety, and wellness programs as part of the City's ongoing commitment to the health, safety, and wellness of employees
Source of Funding:	<ol style="list-style-type: none">1) Alberta Blue Cross premium rebates2) Annual Federal Employment Insurance (EI) rebate program3) Unanticipated WCB surplus rebates4) Other sources as approved by Council
Use of Funds:	<ol style="list-style-type: none">1) HR initiatives such as leadership development programs, Team Fort Sask events, and one-time benefit enhancements2) Health and safety initiatives, safety training programs, and legislative requirements
Optimal Balance:	N/A – Disbursements will be decided based on funds available at the time
Duration:	Ongoing
Interest Bearing:	No
Coordinator:	Director, People Services
Review Schedule:	Last review: July 2017 Next review: July 2018

Reserve Name:	Transportation Assistance Reserve
Reserve Category:	Other Reserves
Purpose:	To manage funds for the Special Transportation Services Society (STSS)
Source of Funding:	1) Community donations 2) Annual surplus of the Special Transportation Services Society
Use of Funds:	Operating and capital needs of the Special Transportation Services Society
Optimal Balance:	N/A – The STSS board is responsible to ensuring funds needed for future projects are available
Duration:	Ongoing
Interest Bearing:	No
Coordinator:	Director, FCSS
Review Schedule:	Last review: July 2017 Next review: July 2020

Reserve Name:	Westpark Estates Community Enhancement Reserve
Reserve Category:	Other Reserves
Purpose:	Originally established for the purpose of future enhancements to the Westpark Estates Community. In 2015, all the funding was allocated to the conversion of the Pointe Aux Pins road to a multi-use trail project
Source of Funding:	Established with funds received pursuant to the Land Purchase Agreement with Bradson Development Ltd. In 1988; no annual contributions
Use of Funds:	Conversion of the Pointe Aux Pins road to a multi-use trail project
Optimal Balance:	N/A
Duration:	Ongoing – Until current funds are disbursed
Interest Bearing:	No
Coordinator:	Director, Project Management
Review Schedule:	Last review: July 2017 Next review: July 2020

Reserve Name:	Fort Centre Offsite Levy Reserve
Reserve Category:	Developer Levy Reserves
Purpose:	To assist in financing the City's infrastructure related to growth and development
Source of Funding:	1) Developer levies which are collected through developer agreements that establish levy payments and specific projects to be completed 2) Reimbursed funds collected from the City front ending projects
Use of Funds:	For future expansion of the City's water, sanitary sewer and storm sewer facilities, as well as arterial roadways and pedestrian walkways
Optimal Balance:	N/A – Developer contributions are on a uniform, per-hectare basis
Duration:	Ongoing – Until the build-out of the existing Fort Centre Offsite Levy lands is complete
Interest Bearing:	Yes
Coordinator:	Director, Project Management
Review Schedule:	Last review: July 2017 Next review: July 2018

Reserve Name:	Medium Industrial Offsite Levy Reserve
Reserve Category:	Developer Levy Reserves
Purpose:	To assist in financing the City's infrastructure related to growth and development
Source of Funding:	1) Developer levies which are collected through developer agreements that establish levy payments and specific projects to be completed 2) Reimbursed funds collected from the City front ending projects
Use of Funds:	For future expansion of the City's water, sanitary sewer and storm sewer facilities, as well as arterial roadways and pedestrian walkways
Optimal Balance:	N/A – Developer contributions are on a uniform, per-hectare basis
Duration:	Ongoing – Until the build-out of the existing Medium Industrial Offsite Levy lands is complete
Interest Bearing:	Yes
Coordinator:	Director, Project Management
Review Schedule:	Last review: July 2017 Next review: July 2018

Reserve Name:	Southfort Offsite Levy Reserve
Reserve Category:	Developer Levy Reserves
Purpose:	To assist in financing the City's infrastructure related to growth and development
Source of Funding:	1) Developer levies which are collected through developer agreements that establish levy payments and specific projects to be completed 2) Reimbursed funds collected from the City front ending projects
Use of Funds:	For future expansion of the City's water, sanitary sewer and storm sewer facilities, as well as arterial roadways and pedestrian walkways
Optimal Balance:	N/A – Developer contributions are on a uniform, per-hectare basis
Duration:	Ongoing – Until the build-out of the existing Southfort Offsite Levy lands is complete
Interest Bearing:	Yes
Coordinator:	Director, Project Management
Review Schedule:	Last review: July 2017 Next review: July 2018

Reserve Name:	Westpark Estates Offsite Levy Reserve
Reserve Category:	Developer Levy Reserves
Purpose:	To assist in financing the City's infrastructure related to growth and development
Source of Funding:	1) Developer levies which are collected through developer agreements that establish levy payments and specific projects to be completed 2) Reimbursed funds collected from the City front ending projects
Use of Funds:	For future expansion of the City's water, sanitary sewer and storm sewer facilities, as well as arterial roadways and pedestrian walkways
Optimal Balance:	N/A – Developer contributions are on a uniform, per-hectare basis
Duration:	Ongoing – Until the build-out of the existing Westpark Estates Offsite Levy lands is complete
Interest Bearing:	Yes
Coordinator:	Director, Project Management
Review Schedule:	Last review: July 2017 Next review: July 2018

Reserve Name:	Utilities Infrastructure Reserve
Reserve Category:	Utilities Infrastructure Lifecycle, Maintenance, and Replacement Reserves
Purpose:	To provide funding for the expansion, replacement, refurbishment, and maintenance of the City's utility infrastructure and equipment
Source of Funding:	<ol style="list-style-type: none">1) Annual contributions from the utility operating budget equal to at least 3% of the value of the relevant assets (valued at historical cost) for water and sewer and at least 10% of the value of the relevant assets (valued at historical cost) for solid waste2) Unspent portion of funding pertaining to completed utility projects3) Allocation of the annual utility operating budget surplus4) Other sources as approved by Council
Use of Funds:	Replacement of the City's utility infrastructure and related equipment based on the long term capital plan. These include, but are not limited to: <ol style="list-style-type: none">1) Water transmission and distribution systems2) Wastewater collection and transmission3) Solid waste systems
Optimal Balance:	5% of the value of the relevant assets (valued at historical cost)
Duration:	Ongoing
Interest Bearing:	No
Coordinator:	Director, Infrastructure Management Manager, Utility Services
Review Schedule:	Last review: July 2017 Next review: July 2018

DEBT MANAGEMENT

Date Issued: October 9, 2018, R274-18

Mandated by: City Council

Current Revision: October 9, 2018

Cross Reference:

- Financial Reserves Policy FIN-021-C
- Operating and Capital Budgets Policy FIN-024-C
- Management and Financial Reporting Policy FIN-025-C

Next Review: January 1, 2021

Responsibility: City Manager

PURPOSE

The City recognizes that debt management is an important long-term planning tool for reaching and achieving the City's objective of sustaining a financially viable municipality. The City also recognizes that debt can be an affordable source of funding; however, excessive debt reduces the City's flexibility and ability to respond effectively to unforeseen challenges.

This Policy establishes guiding principles and appropriate controls for the issuance and use of new debt and to ensure a favourable financial position while supporting the City's long-term capital plan.

POLICY

1. The City shall use debt as part of financing its capital expenditures to address growth pressures and aging infrastructure and debt shall be integrated into the City's long-term financing plans and strategies.
2. Debt must consider intergenerational equity and shall be structured in a way that is both fair and equitable to those that pay and benefit from the underlying assets. The City shall continue its practice of matching long-term debt to capital projects that provide long-term benefits to the community.
3. The timing, type and term of debt shall be determined with the objective of minimizing the long-term costs to the City.

DEFINITIONS

Alberta Capital Finance Authority (ACFA) – means the non-profit Corporation established under the authority of the *Alberta Capital Finance Authority Act*, to provide Alberta local authorities with flexible funding for capital projects.

Authorized Borrowing Bylaw – means a City bylaw with reference to a particular borrowing as required under section 251(1) of the MGA.

Capital Expenditure / Project – means an expenditure in excess of \$10,000 incurred to acquire, construct or improve a tangible capital asset used in the provision of municipal services.

City – means the City of Fort Saskatchewan.

Council – means the municipal Council of the City of Fort Saskatchewan.

Debt Servicing – means the required annual debt repayments on account of principal and interest.

Intergenerational Equity – means the fair and equitable distribution of long-term capital project costs across the generations that benefit from the underlying assets.

Long-Term Debt – means debt with a term greater than 5 years, as defined under MGA section 258(1).

MGA – means the *Municipal Government Act*.

Provincially Regulated Debt Limit – means the maximum allowable debt outstanding as determined by the Province of Alberta Debt Limit regulation A.R. 255/2000, as amended. These regulations indicate that a municipality's total debt outstanding cannot exceed 1.5 times its annual operating revenue.

Provincially Regulated Debt Service Limit – means the maximum allowable annual debt servicing payments as determined by the Province of Alberta Debt Limit regulation A.R. 255/2000, as amended. These regulations indicate that a municipality's total annual debt servicing payments cannot exceed 25% of its annual operating revenue.

Short-Term Debt – means debt with a term of five years or less, as defined under MGA section 257(1).

Tangible Capital Assets – means land, buildings, water and sewer systems, roads, infrastructure, machinery, vehicles, and equipment that has been purchased, constructed or contributed to the City and provides long-term benefits.

Tax Supported Operations – means civic programs and services offered to the community such as fire and protective services, roads, parks, and transit.

Utilities Operations – means water distribution, wastewater collection and solid waste services with these specific services provided on a user pay basis, ensuring that users pay the full cost of utility services.

GUIDING PRINCIPLES

Use of Debt:

1. The City shall only use debt to finance capital expenditures and not for operating purposes.
2. The use of debt shall be done with full consideration of alternative capital funding strategies and in the context of the City's long-term financial sustainability plan.

3. Short-term debt use shall be limited to interim financing of capital expenditures, or management of short-term cash flow requirements such as bridge financing for capital projects.
4. Long-term debt use shall be considered for capital expenditures for:
 - a. tangible capital assets with long useful lives that provide long-term benefits;
 - b. capital projects that provide community-wide benefits (for tax-supported debt);
 - c. growth-related capital projects;
 - d. emergent needs to support corporate priorities and approved strategic plans; and
 - e. major rehabilitation of existing tangible capital assets as a short-term strategy to address significant backlogs or emergency / disaster recovery situations.
5. Council has discretion to approve the use of debt on behalf of other organizations or agencies within the context of this policy.

Debt Approval:

6. A multi-year debt guideline, corresponding debt servicing schedule, and funding strategy shall be maintained and consistent with the City's long-term capital plan and various master servicing plans.
7. Capital projects subject to debt financing shall be considered and approved as part of the City's annual budget process pursuant to Operating and Capital Budgets Policy FIN-024-C.
8. New debt issuances shall identify funding sources and debt repayment schedules.
9. All issuance of debt requires an authorized borrowing bylaw. The bylaw must be in place prior to undertaking capital projects funded by external debt sources.

Debt Planning and Management:

10. The City's capacity to take on and manage new debt shall be analyzed as part of the City's annual capital budgeting process to determine the necessity for and viability of the capital project, and to identify appropriate revenue streams for repayment.
11. Intergenerational equity shall be considered when recommending capital projects for debt approval.

Debt Limits:

12. The ceiling for borrowing purposes and the target for debt reduction shall be 75% of the provincially regulated debt limit and 75% of the provincially regulated debt service limit.
13. While Council may at any time at its discretion approve debt beyond the 75% internal limits prescribed within this Policy, these internal limits have been established for the following purposes:
 - a. to direct Administration and set targets for the development of operating and capital budgets not to exceed the internal limits;

- b. to serve as an early warning signal that debt is becoming a significant burden on the City and appropriate steps should be taken to manage the short, medium and long-term implications;
- c. to recognize the additional reporting requirements by ACFA for municipalities within 25% of their provincially regulated debt and debt service limits; and
- d. to achieve the City's objective of sustaining a financially viable municipality.

Debt Categories:

14. For purposes of debt planning, management and reporting, debt is categorized into 3 groups based on the nature of the capital expenditure and the funding source for debt servicing as follows:
- a. Tax-supported debt – issued for capital projects related to tax supported operations; debt servicing payments shall be repaid from tax-supported revenues such as property taxes, non-utility user fees, fines, licenses, permits and investment income.
 - b. Non tax-supported debt – issued for capital projects which are self-funded and include, but are not limited to:
 - i. Local improvement supported debt issued for capital projects that benefit specific properties pursuant to an approved local improvement plan; debt servicing payments shall be repaid from local improvement tax levies on the benefitting properties; and
 - ii. Developer levy supported debt issued for capital projects that relate to new development such as arterial roadways or utility infrastructure; debt servicing payments shall be repaid from current and future developer levies.
 - c. Utility user-rate debt – issued for capital projects related to utilities operations; debt servicing payments shall be repaid from utility user rates.

Debt Issuance, Terms and Repayment:

15. Unless more advantageous interest rates can be obtained elsewhere, the City shall obtain capital financing funds through the sale of debentures to ACFA.
16. When establishing debt terms, consideration shall be given to the following factors:
- a. cost minimization;
 - b. availability of debt servicing funding;
 - c. intergenerational equity;
 - d. capital life cycle implications;
 - e. long-term financial sustainability; and
 - f. financial flexibility.

17. The City shall limit long-term debt financing to capital projects with a life expectancy greater than 5 years. With the exception of heavy equipment such as graders and emergency equipment such as fire trucks, the City shall not finance the purchase of vehicles, machinery, equipment, computer hardware or software through long-term debt even though their life expectancy is greater than 5 years.
18. The debt term shall not exceed the estimated useful life of the tangible capital asset being financed.
19. The repayment of principal on tax-supported debt shall not extend beyond 20 years, unless there are compelling factors which make it necessary to extend the term beyond this point. By financing over the shortest term possible, lower interest rates and reduced future costs of financing result. This also allows for a debt-free period for the capital asset in which other financial policies such as reserve allocations can be initiated.
20. The City shall give consideration to early repayment of debt if it is economically advantageous to the City.
21. When a debenture is fully paid and retired, the City shall assess the viability of maintaining equivalent payments into capital reserves. This approach helps to stabilize the associated tax or utility rate, and permits ongoing, established funding to be redirected towards other capital projects as needed.

Debt Reporting:

22. The City's debt utilization shall be reported through the quarterly and annual reporting processes prescribed within Management and Financial Reporting Policy FIN-025-C.

AUTHORITY / RESPONSIBILITY TO IMPLEMENT

1. The City Manager is responsible for administrative compliance and monitoring of this Policy.
2. The City Manager may delegate responsibility to the Chief Financial Officer to establish and administer compliance with this Policy, and for compliance with City Bylaws, the *Municipal Government Act*, and other applicable legislation.

Investments

Date Issued: 21-Mar-1979

Mandated by: City Council

Current Revision: 09-Oct-2018

Cross Reference:

- Bank Administration Bylaw C24-18
- Procurement Policy FIN-020-C
- Delegation of Authority Policy GOV-010-A
- Management and Financial Reporting Policy FIN-025-C

Next Review: 30-Sep-2019

Responsibility: City Manager

PURPOSE

To provide general principles, rules and delegated authority for managing and monitoring the investments of the City. Adherence to this Policy will ensure compliant and effective investment practices and assist in achieving the strategic goals and growth objectives of the City.

POLICY

The City will invest excess funds in a prudent manner that will provide maximum capital preservation while maintaining sufficient liquidity to meet the cash flow requirements of the City and obtaining reasonable returns on its investments. Investments must conform to the guiding principles set forth below, as well as comply with the legislative requirements under the MGA (Section 250, Investments).

DEFINITIONS

Cash or Money – means the legal tender of Canada or of any foreign country, but does not include stamps or securities. Cash comprises of cash on hand and demand deposits.

Bonds – means a fixed income investment in which an investor loans money to a corporation, financial institution or government which borrows the funds for a defined period of time at a variable or fixed interest rate.

City – means the City of Fort Saskatchewan.

Council – means the Council of the City.

City Manager – means the Chief Administrative Officer or designate pursuant to the MGA.

Chief Financial Officer – means the Chief Financial Officer designated by the City Manager.

DBRS – means the Dominion Bond Rating Service Ltd. (see also, Appendix 3: DBRS RATING DEFINITIONS).

Financial institution – means a Schedule "1" Chartered bank, agency of a bank, credit union, or any other financial institution carrying on business in Alberta.

Government - means local, provincial or federal government.

Institutional Limit - means the maximum portfolio investment limit in each institution (i.e. corporation, financial institution, or government).

Portfolio Limit - means the maximum portfolio investment limit in each type of portfolio (i.e. short-term or long-term).

Investment Officer – means an employee of the City or an external investment management firm duly delegated the responsibility to manage all or a portion of the City's investment portfolio.

Liquidity – means the ability to convert an investment into cash with minimal risk associated with loss of principal or accrued interest, taking into consideration any costs associated with converting investments into cash.

Long-Term Investments – means securities with maturities greater than one year.

Managed Funds – means professionally managed investment portfolios.

MGA – means the Municipal Government Act and any Regulations passed thereunder.

Security or securities – means bonds, debentures, trust certificates, guaranteed investment certificates or receipts, certificates of deposit, deposit receipts, bills, notes, and mortgages of real estate or leaseholds and rights or interests in respect of a security.

Short-Term Investments – means securities with maturities of one year or less or cash held for investment purposes.

GUIDING PRINCIPLES

OBJECTIVE

1. Capital Preservation

The City recognizes its fiduciary responsibility for the stewardship of funds it has been entrusted. Therefore, the prime objective of this Policy is to ensure that the principal amount of each investment is insulated from losses due to market conditions and issuer default. To accomplish this objective, minimum quality standards for all individual investments will be maintained, and sufficient diversification within the portfolio itself will be required.

2. Liquidity

The investment portfolio will be sufficiently liquid to enable the City to meet any projected or sudden cash flow requirement that might reasonably be expected to occur. The City will consider the 10 Year Capital Plan, the long-term financial sustainability model, the Reserve Policy, and other relevant information to ensure that the investments are sufficiently liquid.

3. Return on Investment

Without compromising on objectives of capital preservation and maintaining liquidity, the City will seek to maximize its return on investments. The performance of investments shall be measured against appropriate market comparators and approved budgets, and reported to Council in accordance with the Management and Financial Reporting Policy (FIN-025-C).

INVESTMENT REQUIREMENTS

4. Authorized Investments

The City is authorized to purchase only securities that comply with the Schedule of Approved Investments in Appendix 1. No person shall purchase any securities or engage in any Short-Term Investment or Long-Term Investment transaction except in accordance with this Policy.

5. Credit Quality

- a. Long-Term Investments and Short-Term Investments in the portfolio will ensure preservation of capital and adhere to the credit quality restrictions in the Schedule of Approved Investments in Appendix 1.
- b. If a Long-Term Investment's credit rating falls below "A (low)" after time of purchase, it shall be removed from the portfolio as soon as practical.
- c. Short-Term Securities must have a minimum rating of R-1 (medium) from the date of issue.

6. Ratings

- a. All ratings in this Policy refer to the ratings of the DBRS.
- b. In the event that DBRS does not rate a security, ratings from any of the other agencies allowed by the MGA may be utilized.

7. Short Term-Investments – Return and Performance Standards

The FTSE/TMX Canada 91 day T-Bill index will be used as the benchmark to determine whether acceptable short-term market yields are being achieved. Investments will be reviewed in the event of under-performance and adjusted if necessary.

8. Long-Term Investments – Return and Performance Standards

At least annually, the City will benchmark the return on investments against comparable municipalities to assess if the Policy updates and risk tolerance levels have realized the expected benefits with respect to return on investment.

GUIDELINES

9. Safekeeping and Custody

- a. Securities may be held in the form of physical investment certificates or electronically as book entries in a direct registration system.
- b. All securities must be issued in the name of **CITY OF FORT SASKATCHEWAN**.
- c. Investment certificates shall be held for safekeeping by a financial institution designated for investment purposes in accordance with Bank Administration Bylaw C24-18.
- d. Responsibility for the safekeeping of assets, income collection, settlement of investment transactions, and accounting for investment transactions may be delegated to a trust company custodian duly registered in Canada.

10. Prudence

- a. Investments are to be made with the care, skill, prudence, and diligence that a reasonably prudent person would exercise in the management of similar portfolios of investments to maximize the protection of capital, while maintaining sufficient liquidity for the City to meet its cash flow needs, and obtain a reasonable return on its investments.
- b. Any person acting in accordance with this Policy and exercising reasonable prudence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations are reported in a timely fashion and appropriate action is taken to control adverse developments.

11. Conflict of Interest / Ethics

- a. The City Manager, the Chief Financial Officer and all other employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution of their responsibilities, or which could impair their ability to make impartial investment decisions for the City. Employees shall provide written disclosure to their direct supervisor regarding any material interests in financial institutions with which the City invests, and they shall subordinate their personal investment transactions to those of the City, particularly with regard to the timing of purchases and sales.
- b. This guideline also extends to any external investment management firms utilized by the City to manage its portfolio, provided that they comply with all guiding principles of this Policy.

12. Signing / Authorizing Investments

- a. All investments purchased or sold must be authorized by any two Investment Officers.

A list of current Investment Officers is attached hereto as Appendix 2, but may be updated from time to time without further notification to Council.

- b. All authorizations must be evidenced by signatures or by electronic means.
- c. Signatures may be printed, lithographed, or otherwise reproduced.

13. Reporting

- c. Investment balances and performance will be reported in each quarterly and annual report in accordance with the Management and Financial Reporting Policy FIN-025-C.

AUTHORITY / RESPONSIBILITY TO IMPLEMENT

- a. The City Manager is responsible for administrative compliance and monitoring of this Policy.
- b. The City Manager may delegate responsibility to the Chief Financial Officer to establish and administer compliance with this Policy, and for compliance with City bylaws, the MGA, and other applicable legislation. The Chief Financial Officer shall appoint to one or more Investment Officers who shall have such authority, responsibility, and restrictions as may be required to administer this Policy.

APPENDIX 1: SCHEDULE OF APPROVED INVESTMENTS

SHORT-TERM INVESTMENTS PORTFOLIO – TERMS OF 1 YEAR OR LESS				
	Institutional Limit	Portfolio Limit	Minimum DBRS Rating	Maximum Term
Government – Securities issued or guaranteed by:				
Federal or Provincial Government of Canada	Unlimited	Unlimited	R-1 (middle)	1 year
Chartered Banks: – Securities issued or guaranteed by:				
Schedule "1" Chartered Banks	40%	75%	R-1 (middle)	1 year
Other Financial Institutions:				
Cash held in Demand Deposit Accounts for Investment Purposes:				
ATB Financial ¹	Unlimited	Unlimited	N/A	90 days ²

LONG-TERM INVESTMENTS PORTFOLIO – TERMS OF MORE THAN 1 YEAR				
	Institutional Limit	Portfolio Limit	Minimum DBRS Rating	Maximum Term
Government – Securities issued or guaranteed by:				
Federal or Provincial Government of Canada	Unlimited	Unlimited	A (low)	30 year
Corporate Bonds – Bonds issued or guaranteed by:				
Schedule "1" Chartered Banks excluding Non- viable Contingent Capital Sub-debt (NVCC)	20%	40%	A (low)	20 year
Managed Funds				
In accordance with the Alberta Municipal Government Act		25%		30 year

¹ ATB Financial is a provincial corporation and is for all purposes an agent of the Crown in the right of Alberta. The repayment of money deposited with ATB Financial and interest payable on that money is guaranteed by the Alberta government. Should this guarantee change, the holdings will be immediately reassessed to determine their DBRS credit rating and allowable percentages within the portfolio.

² Maximum 90 days' notice of demand.



APPENDIX 2: CURRENT INVESTMENT OFFICERS AND DELEGATIONS

Investment Officers	<ul style="list-style-type: none">• City Manager• Chief Financial Officer• Manager, Accounting & Reporting• Senior Accountant responsible for investment management
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APPENDIX 3: DBRS RATING DEFINITIONS³

COMMERCIAL PAPER AND SHORT-TERM DEBT RATING SCALE

(Used for Short Term Investments)

The DBRS® short-term debt rating scale provides an opinion on the risk that an issuer will not meet its short-term financial obligations in a timely manner. Ratings are based on quantitative and qualitative considerations relevant to the issuer and the relative ranking of claims. The R-1 and R-2 rating categories are further denoted by the subcategories "(high)", "(middle)", and "(low)".

R-1 (high)

Highest credit quality. The capacity for the payment of short-term financial obligations as they fall due is exceptionally high. Unlikely to be adversely affected by future events.

R-1 (middle)

Superior credit quality. The capacity for the payment of short-term financial obligations as they fall due is very high. Differs from R-1 (high) by a relatively modest degree. Unlikely to be significantly vulnerable to future events.

R-1 (low)

Good credit quality. The capacity for the payment of short-term financial obligations as they fall due is substantial. Overall strength is not as favorable as higher rating categories. May be vulnerable to future events, but qualifying negative factors are considered manageable.

LONG TERM OBLIGATIONS SCALE

(Used for Long Term Investments)

The DBRS® long-term rating scale provides an opinion on the risk of default. That is, the risk that an issuer will fail to satisfy its financial obligations in accordance with the terms under which an obligations has been issued. Ratings are based on quantitative and qualitative considerations relevant to the issuer, and the relative ranking of claims. All rating categories other than AAA and D also contain subcategories "(high)" and "(low)". The absence of either a "(high)" or "(low)" designation indicates the rating is in the middle of the category.

AAA

Highest credit quality. The capacity for the payment of financial obligations is exceptionally high and unlikely to be adversely affected by future events.

AA

Superior credit quality. The capacity for the payment of financial obligations is considered high. Credit quality differs from AAA only to a small degree. Unlikely to be significantly vulnerable to future events.

A

Good credit quality. The capacity for the payment of financial obligations is substantial, but of lesser credit quality than AA. May be vulnerable to future events, but qualifying negative factors are considered manageable.

BBB

Adequate credit quality. The capacity for the payment of financial obligations is considered acceptable. May be vulnerable to future events.

³ Source: <https://www.dbrs.com/understanding-ratings/#about-ratings>