

LONG-TERM FINANCIAL SUSTAINABILITY PLAN

City of Fort Saskatchewan

HEMSON Consulting Ltd.

December, 2016

TABLE OF CONTENTS

EXECUTIVE SUMMARY	1
A. LONG-TERM FINANCIAL FORECAST SUMMARY	1
B. INDICATORS OF FINANCIAL SUSTAINABILITY	2
C. WAYS TO MAINTAIN FINANCIAL SUSTAINABILITY	3
I INTRODUCTION	5
A. STUDY BACKGROUND AND CONTEXT	5
B. KEY GUIDING DOCUMENTS, STUDIES AND POLICIES.....	7
C. REPORT STRUCTURE AND CONTENT	8
II THE CITY'S OVERALL FINANCIAL POSITION.....	9
A. RESIDENTIAL AND NON-RESIDENTIAL GROWTH FORECAST	9
B. ASSESSMENT GROWTH FORECAST	11
C. CURRENT FISCAL POSITION	13
D. SWOT ANALYSIS.....	15
III KEY MODEL FINDINGS	16
A. TAXATION FORECAST	16
B. DEBT FORECAST	17
C. RESERVE AND CAPITAL GRANT FORECAST.....	17
D. ASSET MANAGEMENT FORECAST	19
E. OPERATING GRANT FORECAST.....	20
IV WAYS TO MAINTAIN FINANCIAL SUSTAINABILITY.....	22
A. INDICATORS OF FINANCIAL SUSTAINABILITY	22
B. KEY RECOMMENDATIONS TO IMPROVE FISCAL SUSTAINABILITY	28
C. THE PLANNING, FORECASTING AND BUDGETING PROCESS: GAPS AND OPPORTUNITIES FOR IMPROVEMENTS.....	32

EXECUTIVE SUMMARY

This Long-Term Financial Sustainability Plan assesses the financial health of the City of Fort Saskatchewan in the context of its demographic and economic environment, municipal financial benchmarks, and current spending and revenues. It includes a 10-year financial forecast for the City, as well as long-term financial planning principles and policies for consideration. This report is accompanied by a dynamic Fiscal Impact Model intended for ongoing use by City staff, which considers a longer term (20-year) financial planning horizon.

A. LONG-TERM FINANCIAL FORECAST SUMMARY

The City of Fort Saskatchewan is beginning its detailed long-term planning from a relatively advantageous position with strong growth and a significant non-residential tax base. The City is in a position to fund its current identified operating and capital obligations with manageable tax revenue increases.

There are several potential risks that should be considered as they may have a strong impact on future taxation revenue increases. These include:

- Reductions in grant funding;
- Impacts of ongoing challenges within the broader energy sector on local employment growth;
- A constrained supply of the City's remaining developable land; and
- Growing long-term asset replacement needs.

The City has the debt capacity available to address most unforeseen emergency shocks. The available debt capacity could also be used to fund major long-term asset replacement and growth-related infrastructure needs.

Under base contribution levels, reserve balances will experience a slight decrease in the short term (until 2019) and again in 2025 due to planned capital projects. It is recommended that grant funds be used before reserve funds wherever possible.

B. INDICATORS OF FINANCIAL SUSTAINABILITY

The LTFSP Report and associated Fiscal Impact Model establish a decision framework and tools that can be used to guide Council and administration in making sound financial decisions as part of long-term financial sustainability planning. Key indicators of financial sustainability are summarized below.

1. **Promote Economic Growth:** The City of Fort Saskatchewan has experienced rapid growth in recent years. Its future economic prosperity is dependent on its ability to provide and maintain the necessary municipal infrastructure and services to support local businesses and the community as a whole. To achieve this, the City will need to continue to attract new development and maintain, or expand upon, its strong non-residential share of the total assessment base.
2. **Maintain Infrastructure Assets:** Municipalities across the country are struggling with how to manage the growing “infrastructure deficit”. It is estimated that the City of Fort Saskatchewan has assets valued \$97 million in operation beyond their accounting useful lives. However, with prudent financial planning and manageable increases in reserve contributions, the City should be able to maintain its infrastructure assets.
3. **Manage Debt:** The use of long-term debt is recognized as an important tool in sustainable long-term financial planning. The City’s practice is to use debt to finance large projects with long-term benefits, and to mitigate cost increases that can arise from deferring work. The City should continue to follow its relatively strong debt policies and practices, and consider introducing a municipal debt limit.
4. **Manage Expenditures:** Central to prudent financial planning is ensuring that expenditures are well managed. Continued growth will place pressure on the City’s expenditures to meet the servicing needs and demands of new and existing residents and businesses. It will be critical that the City manage the timing and extent of infrastructure and servicing expansion; this is particularly true of services with significant tax levy operating impacts, such as parks and recreation amenities.
5. **Ensure a Sustainable Revenue Structure:** The City’s main source of revenue is derived from property taxes; however, it continues to benefit from transfers from other levels of government. A potential risk to long-term financial sustainability is the dependence on non-own source revenues. The City should consider opportunities to maximize other, non property tax, own source revenues as part of ongoing long-term financial sustainability planning.

C. WAYS TO MAINTAIN FINANCIAL SUSTAINABILITY

The City of Fort Saskatchewan has a history of prudent fiscal planning and practices and as the City continues to grow, fiscal pressures will increase. The City should build upon existing policies and practices to maintain financial sustainability.

1. **Manage Service Level Increases and Program Cost:** In order to manage sustainable taxation impacts, the City will need to carefully consider the timing and extent of service level increases. The City should build on current practices, which include managing program costs through the annual budget process, and implement the strategies of this report to continue to plan for, deliver, and manage services in an efficient and cost effective manner.
2. **Support Non-Residential Land Uses:** The City benefits from a strong non-residential tax base which account for the majority of its assessment base. The City should continuously work to maintain these benefits through local economic development initiatives as well as carefully planned municipal boundary expansions.
3. **Increase Developer Funded Share of Growth-Related Capital:** Significant tax-supported funding will be required for future growth-related infrastructure. The City should work with other municipalities to:
 - a. Encourage the Province to extend the scope of off-site levies to non-engineered services;
 - b. Encourage voluntary infrastructure contributions from developers; and
 - c. Review development agreement requirements to find opportunities for more effective collaboration with developers in the delivery of infrastructure.
4. **Work to Maintain Existing Operating Grants:** The City should continue to work with the Province to ensure grants sufficiently address financial requirements for mandated programs.
5. **Utilize Fiscal Impact Model:** The City should integrated use of the Long-Term Financial Sustainability Plan's Fiscal Impact Model into its annual financial planning processes. The model can use used on an ongoing basis to compare program budget submissions to volume-based (e.g. demographic) indicators, as well as to test the multi-year taxation impact of any operating and capital cost changes.
6. **Move Towards Dynamic Condition-Based Asset Management System:** It is recommended that the City move toward a condition-based asset management system to assist in establishing achievable and efficient future reserve

contribution amounts, including:

- a. Capital asset risk analysis (e.g. consequence of failure);
 - b. Coordination of land use planning decisions and infrastructure construction (i.e. coordination of road improvement with sewer/water linear works);
 - c. Building asset strategies; and
 - d. Establishment of service level targets and asset management report cards.
7. **Multi-Year Budgeting and Tax Rate Strategy:** The City should continue to include an additional two-year operating forecast as part of the annual budget. It is noted that upcoming amendments to the *Municipal Government Act* are anticipated to include a new requirement for municipalities to establish three-year operating plans. The Fiscal Impact Model developed as part of this plan has been designed as a tool to assist in a movement toward a multi-year budget process and allow for sensitivity testing of various operational and capital cost scenarios on the multi-year tax rate forecast. The model should be used to determine the best timing and use of tax rate smoothing initiatives.

All of these issues, approaches and recommendations are discussed in depth in the following report and attached technical appendices.

I INTRODUCTION

Hemson Consulting Ltd. has been engaged to assist the City of Fort Saskatchewan in developing a Long-Term Financial Sustainability Plan. This report assesses the financial health of the City in the context of its demographic and economic environment, municipal financial benchmarks, and current spending and revenues. The results of a 10-year financial forecast for the City are presented and discussed. Finally, long-term financial planning principles and policies are recommended for the City's consideration.

A. STUDY BACKGROUND AND CONTEXT

As part of Alberta's Capital Region, the City of Fort Saskatchewan has been experiencing significant growth in recent years. Over the past decade, the City's population has increased by as much as 60 per cent. Corresponding housing growth has also been strong and the City's actual land consumption has exceeded projections during this time. This growth has placed significant service demands on the City.

Population, household, and employment growth rates are expected to remain relatively strong over the next several years. To plan for long-term growth, the City completed a Growth Study and Financial Impact Assessment in 2015 which assessed future land requirements and related financial implications. The City additionally has in place a Strategic Plan, a Municipal Development Plan, and numerous master plans which address a range of services. Finally, the City undertakes a budgeting process on an annual basis which results in a one-year operating budget, two-year operating forecast and a 10-year capital plan.

The Long-Term Financial Sustainability Plan (LTFSP) was developed to tie these initiatives together to provide long-term direction for Council and administration to follow in consideration of financial decisions. Similar long-term financial plans have been carried out by many municipalities across the country, recognizing the need to shift emphasis from annual budgeting to service delivery and sustainability over a longer term planning horizon. This is consistent with the Government Finance Officers Association recommendation that governments regularly engage in long-term financial planning.

This type of long-term financial planning is particularly important in fast growing regional economies such as that of the Capital Region. Significant capital investment and associated operating costs are required to accommodate growth, ensuring that service levels are maintained without losing sight of the need to provide regular capital contributions to maintain a municipality's existing and aging infrastructure in a "state of good repair". Capital funding gaps are a significant concern across the country, and steps to close these gaps are important to the attainment of financial sustainability.

Long-term financial planning is also an important ingredient in understanding the financial implications of various social and economic changes that municipalities are encountering. Examples include changing demographics, changes to planning principles related to smart growth and associated shifts in such factors as housing density and transportation servicing plans, and an increasing emphasis on environmental stewardship.

The objectives of the LTFSP are the development of a long-term plan that is a living document, made up of two key deliverables as follows:

1. Long-Term Financial Sustainability Plan (this report)

- Focus on financial viability, management, flexibility and sustainability
- Identification of measurable goals, targets and objectives
- Overview of financial history and current status
- Overview of 10-year forecast
- Identification of risks, challenges and opportunities

2. Fiscal Impact Model

- Excel model which will serve as a tool for staff to:
 - o Assess the current financial position of the municipality;
 - o Forecast the future (20 years) financial position of the municipality;
 - o Identify overall capital and operating needs (short-term, mid-term and long-term);
 - o Assist in the annual budget process;

- o Undertake sensitivity testing; and
- o Provide information and data for the annual update of the LTFSP.

Both deliverables are living documents. The initial LTFSP and findings are based on the City's 2016 budgets and long-term plans and build upon internal forecasts from various municipal departments. The Fiscal Impact Model may be updated annually to account for "actual" data and the City's evolving economic and fiscal environment, while this report may be updated every three to five years to reflect changes as a result of various economic impacts.

Over the past several years, the City has utilized multi-year approach to financial planning which has the potential to:

- Assist in addressing the needs of a fast growing municipality;
- Ensure that mandatory services are maintained at appropriate levels;
- Examine services and service levels across the municipality;
- Allow for tax rate smoothing, as required, to mitigate the need for a significant increase in any given year; and
- Promote greater transparency for City tax payers.

The City has faced a number of challenges and barriers to the implementation of multi-year budgets and tax rates. These barriers may be mitigated by the LTFSP and Fiscal Impact Model, which will serve as valuable tools to provide guidance on the impact of annual financial decisions on the future fiscal position of the municipality.

B. KEY GUIDING DOCUMENTS, STUDIES AND POLICIES

The City of Fort Saskatchewan has many long-term plans in place or in various stages of development. These various plans have been used to inform the LTFSP and include:

- Recreation Facility and Parks Master Plan (2015 Update);
- Fire Department Strategic Plan;
- Southfort Stormwater Management Plan;
- Water Distribution System Master Plan;
- Transit Plan;
- Off-site Levy Bylaw;

- Growth Study;
- Municipal Development Plan;
- Community Sustainability Plan (2014 Update);
- Strategic Plan 2014-2017;
- Municipal Census; and
- 2016 Budget.

C. REPORT STRUCTURE AND CONTENT

Following this introductory section, the report is divided into the following sections:

Section II discusses the City's current fiscal position including an overview of revenue sources, property assessment mix, operating and capital expenditures, off-site levies and tangible capital assets. This section also discusses the demographic profile and development forecast for the City.

Section III provides an overview and summary of key findings of the long-term financial analysis arising from application of the fiscal impact model.

Section IV provides the conclusions and key recommendations of the LTFSP analysis.

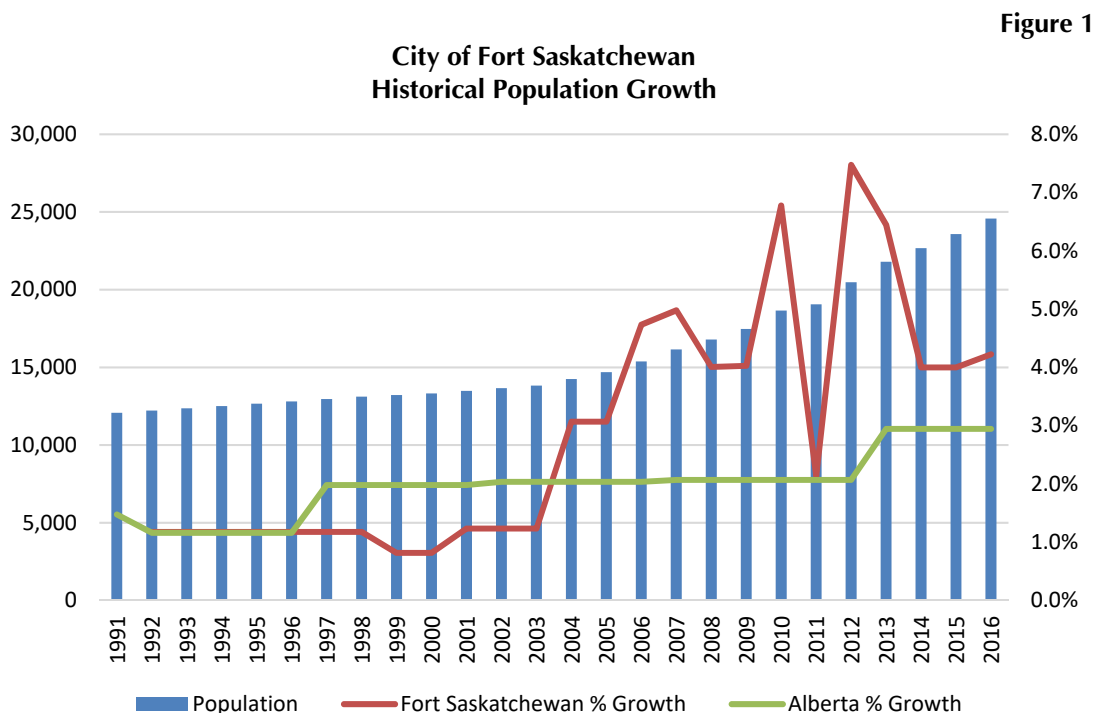
A detailed assessment of the City's current financial policies is contained in a series of appendices to the report.

II THE CITY'S OVERALL FINANCIAL POSITION

The City of Fort Saskatchewan is beginning its detailed long-term planning from a relatively advantageous position, with strong growth and a significant non-residential tax base. This section summarizes current trends in Fort Saskatchewan and an overview of its financial position.

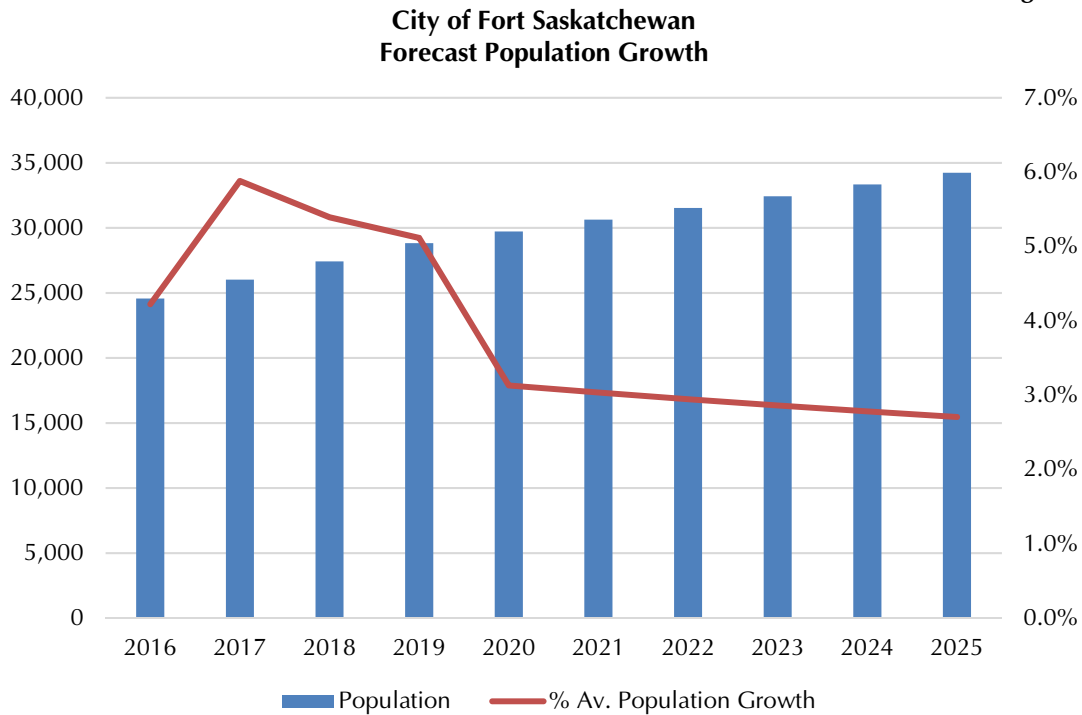
A. RESIDENTIAL AND NON-RESIDENTIAL GROWTH FORECAST

The City of Fort Saskatchewan has generally experienced accelerating growth rates in recent years. As demonstrated by Figure 1, relatively modest annual growth rates in the order of 1.2 per cent were common prior to 2004. Since 2004, annual growth rates have averaged approximately 4.5 per cent. While the annual growth rate has fluctuated during this time, it has remained at or above the annual Province-wide growth rate. The City's 2016 Municipal Census Population is 24,569 and place of work employment is estimated at 10,300 for the same year.



Source: 2016 Municipal Census and Statistics Canada Census

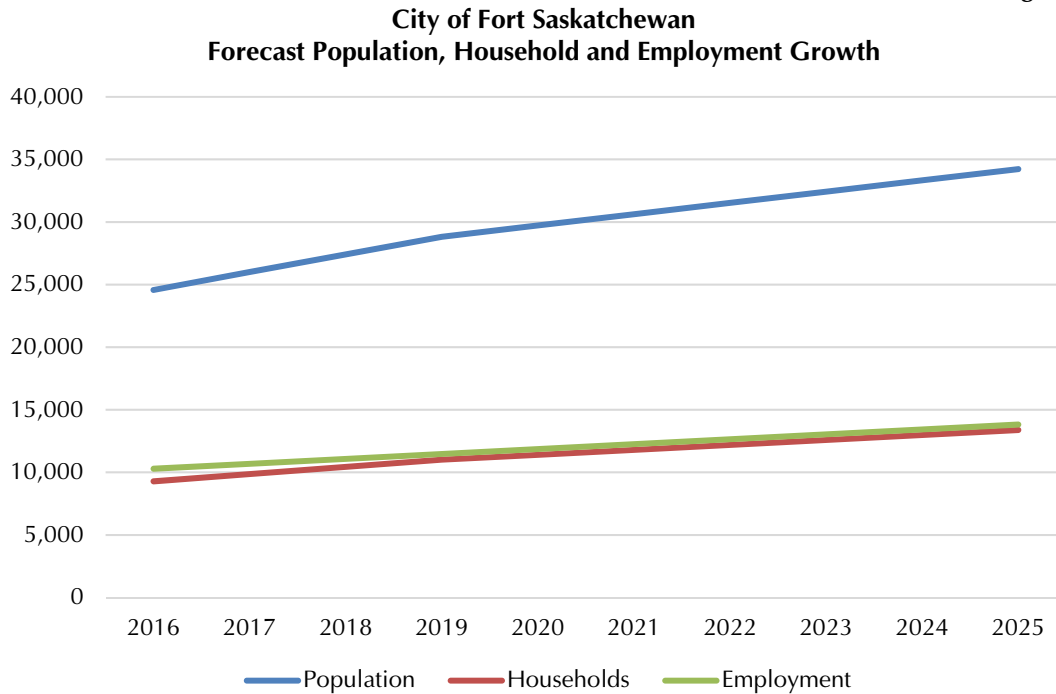
As shown in Figure 2, the City's annual population growth rate is forecast to gradually slow and stabilize over the coming 10-year period, reaching a more sustainable 2.7 per cent per year by 2025.

Figure 2

Source: 2016 Municipal Census

Place of work employment data considers employees who work in Fort Saskatchewan irrespective of where they live. Like population growth, place of work employment growth is expected to slow gradually, from approximately 3.8 per cent in 2017 to 2.9 per cent in 2025 (Figure 3). As future employment land growth is largely dependent on macroeconomic factors outside of the municipality's control, it is difficult to predict future growth; the 10-year employment forecast is therefore based on maintaining the current annual growth of 392 new jobs per year. This would maintain a stable employment to population activity rate ranging from 39 to 41 per cent over this time period.

Figure 3



Source: 2016 Municipal Census and Statistics Canada Census

B. ASSESSMENT GROWTH FORECAST

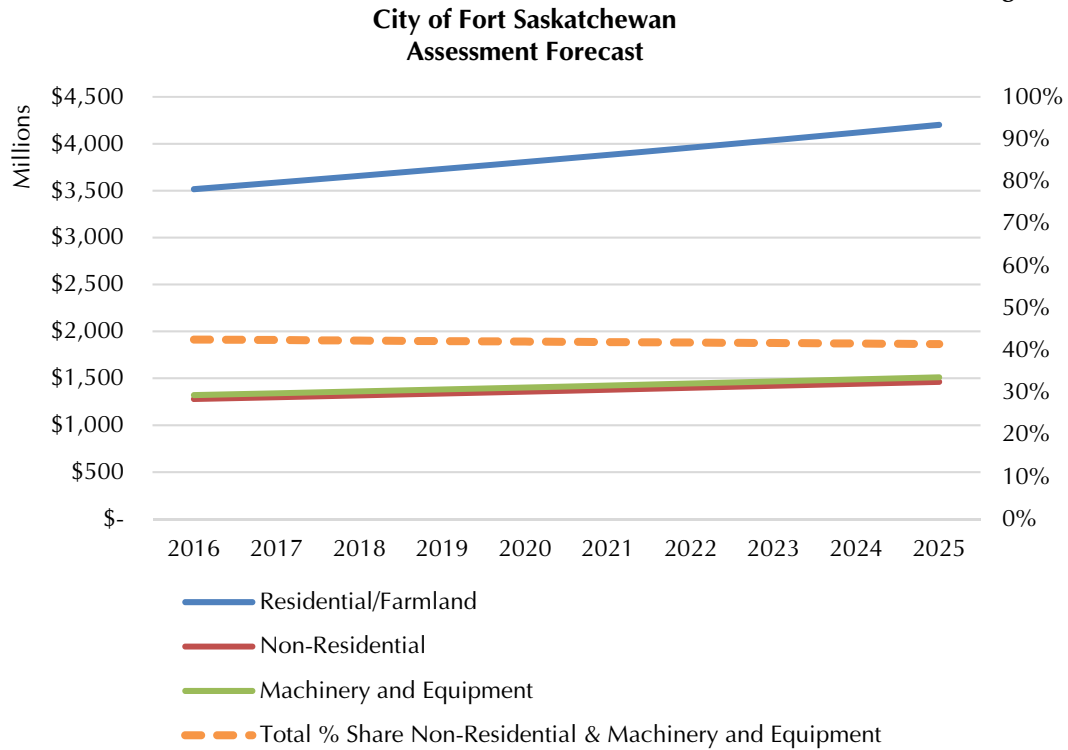
With rapid population growth in recent years, assessment growth in Fort Saskatchewan has been strong. Currently, the City's residential : non-residential (including machinery and equipment) assessment ratio is approximately 57:43. Using a weighted approach, the non-residential share of assessment grows to 60 per cent. The City's non-residential tax rate weighting of roughly 2.0 is generally in line with comparable Alberta municipalities.

Fort Saskatchewan's non-residential assessment share is very strong as compared with other cities in Alberta. The 2016 provincial average equalized non-residential assessment share for Alberta's 17 cities was calculated at 26 per cent, or 17 points below Fort Saskatchewan's unweighted non-residential share. Much of Fort Saskatchewan's non-residential assessment share can be attributed to machinery and equipment assessment related to the energy sector.

City of Fort Saskatchewan Base Assessment						Table 1
Assessment Ratio	2016 Forecast Assessment	Un-weighted Tax Ratio	2016 Tax (Mill) Rate	Weighting	2016 Forecast Weighted Assessment	Weighted Tax Ratio
Residential / Farmland	\$3,516,000,000	57%	4.756	1.0000	\$3,516,000,000	40%
Non-Residential	\$1,279,000,000	21%	9.520	1.9995	\$2,557,000,000	30%
Machinery and Equipment	\$1,321,000,000	22%	9.520	1.9995	\$2,641,488,663	30%
Total	\$6,116,000,000	100%			\$8,714,000,000	100%

A 10-year assessment forecast is shown in Figure 4, including the anticipated breakdown of residential, non-residential, and machinery and equipment shares. The total non-residential and machinery and equipment assessment share is expected to decline very slightly over this time period, remaining over 41 per cent.

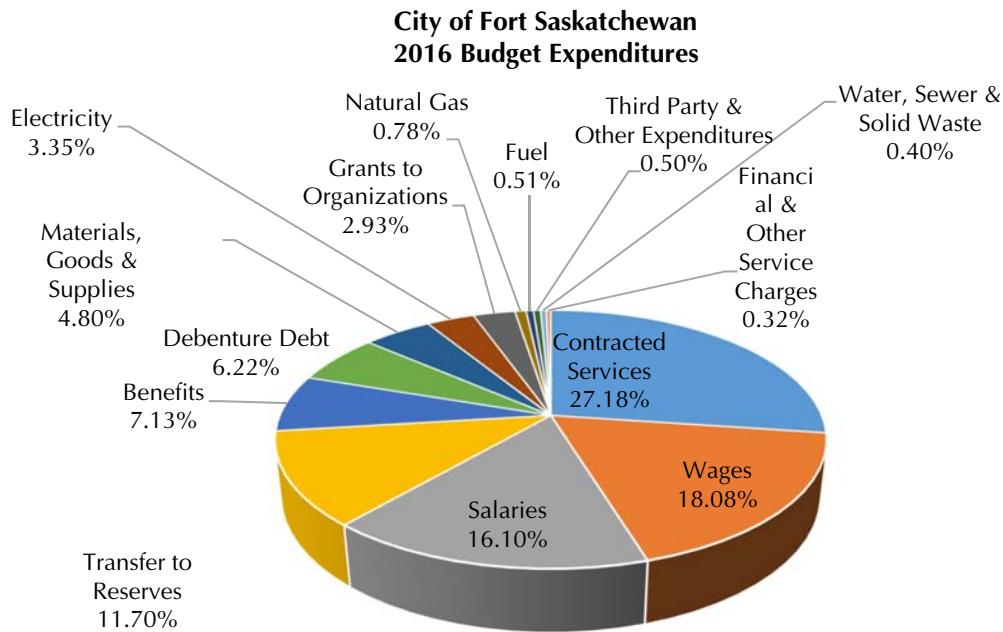
Figure 4



C. CURRENT FISCAL POSITION

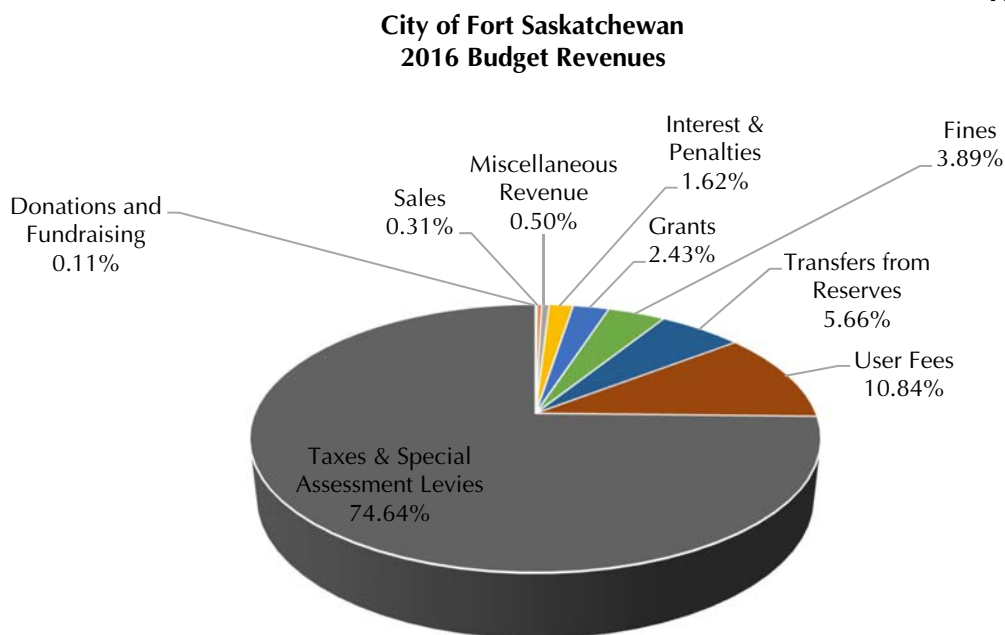
Figure 5 and Figure 6 present a breakdown of the City's 2016 total revenues and expenditures by account category. Salaries, wages, and contracted services are the largest expenditures, together representing approximately 61 per cent of the 2016 municipal expenditures.

Figure 5



Taxes and special assessment levies are by far the City's most significant revenue sources, making up approximately three quarters of the total 2016 municipal revenues. User fee revenue represents the second largest revenue source at approximately 11 per cent.

Figure 6



D. SWOT ANALYSIS

During the review of the City's budget and background documents, several important areas were identified for consideration. Below is a summary of some of the key strengths, weaknesses, opportunities, and threats that have been considered in the development of the financial model and explored in the plan.

Strengths

- The City is well located within the Capital Region, well-served by local and regional transportation networks, and will likely continue to attract growth.
- The City's non-residential assessment share is very strong as compared with other cities in the Capital Region and constitutes a large proportion of the tax base.

Weaknesses

- The nature of industry within Capital Region makes it more susceptible to macroeconomic cycles.
- Like most municipalities, the City is not contributing sufficient funds to its capital replacement reserves for long-term maintenance of infrastructure service levels.

Opportunities

- Currently, growing reserve funds and debt capacity is expected over the coming years. These funds present opportunities for increased investment in infrastructure renewal, additional fleet and equipment to support population and job growth, or other capital investments as necessary.

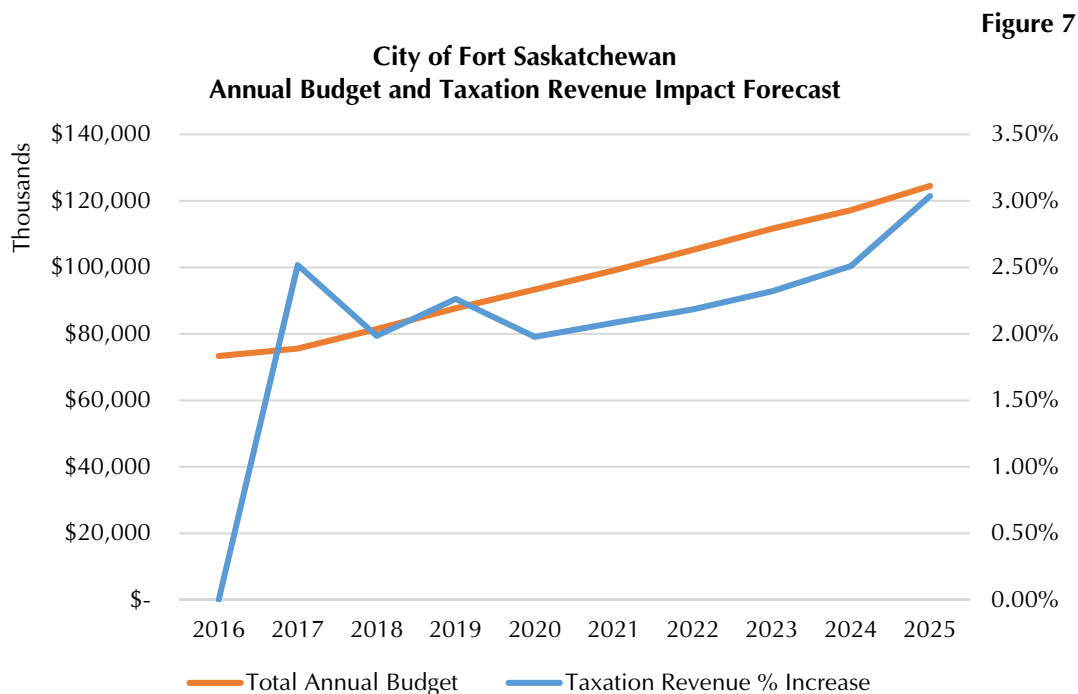
Threats

- Fiscal challenges at the Federal and Provincial level may impact the amount of transfers the City currently receives, especially the Province of Alberta.
- Strong competition from other jurisdictions related to employment lands development.
- Following a period of rapid growth, the City is facing developable land constraints, particularly in terms of institutional and heavy industrial lands. Boundary expansions will likely be required to accommodate future growth.
- Ongoing challenges within the energy sector may continue to impact local employment growth and could potentially have a negative impact on the City's non-residential and machinery and equipment assessment shares.

III KEY MODEL FINDINGS

A. TAXATION FORECAST

The City of Fort Saskatchewan is in a position to fund its current identified operating and capital obligations with modest taxation revenue increases over the next 10 years. Figure 7 below shows that annual tax revenue increases are expected to remain primarily within the 2 to 3 per cent range, averaging approximately 2.3 per cent over this time period.



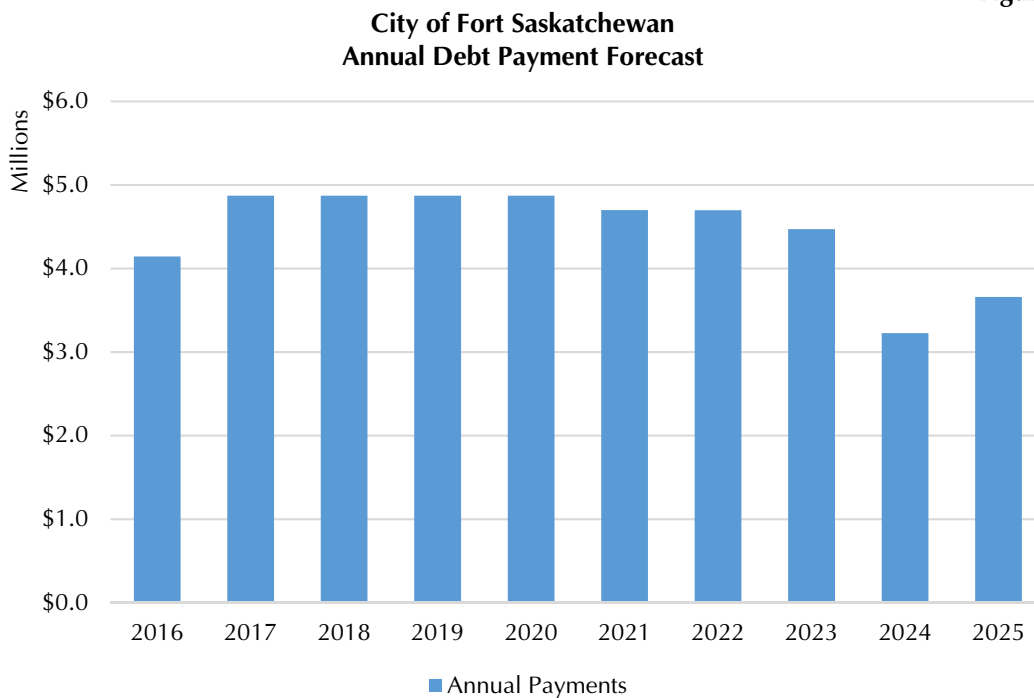
Several potential risks should be considered as they may have a strong impact on future taxation revenue increases. These include:

- Reductions in grant funding;
- A movement toward lower non-residential growth as compared with residential development; and
- Long-term asset replacement.

B. DEBT FORECAST

The City is currently utilizing an estimated 43 per cent of its overall Provincial Debt Limit and only 24 per cent of its Provincial Debt Service Provision, and therefore has the debt capacity available to address most unforeseen emergency shocks. Available debt capacity may be used to address infrastructure repair and replacement needs, which may grow over time.

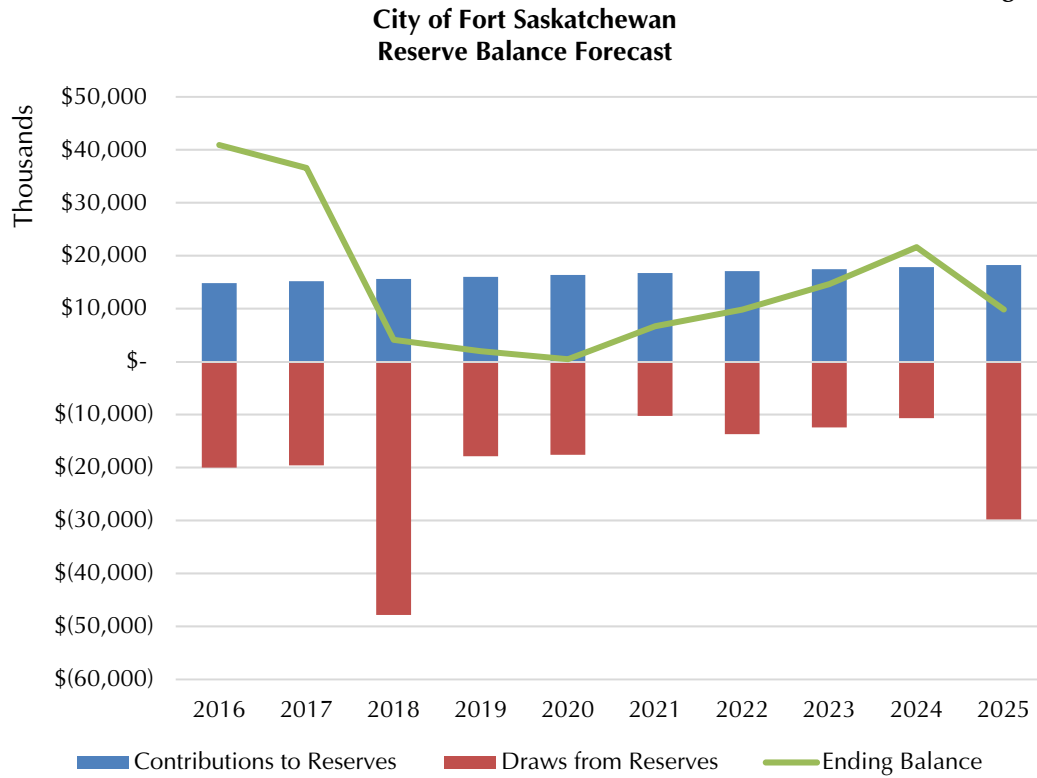
Figure 8



C. RESERVE AND CAPITAL GRANT FORECAST

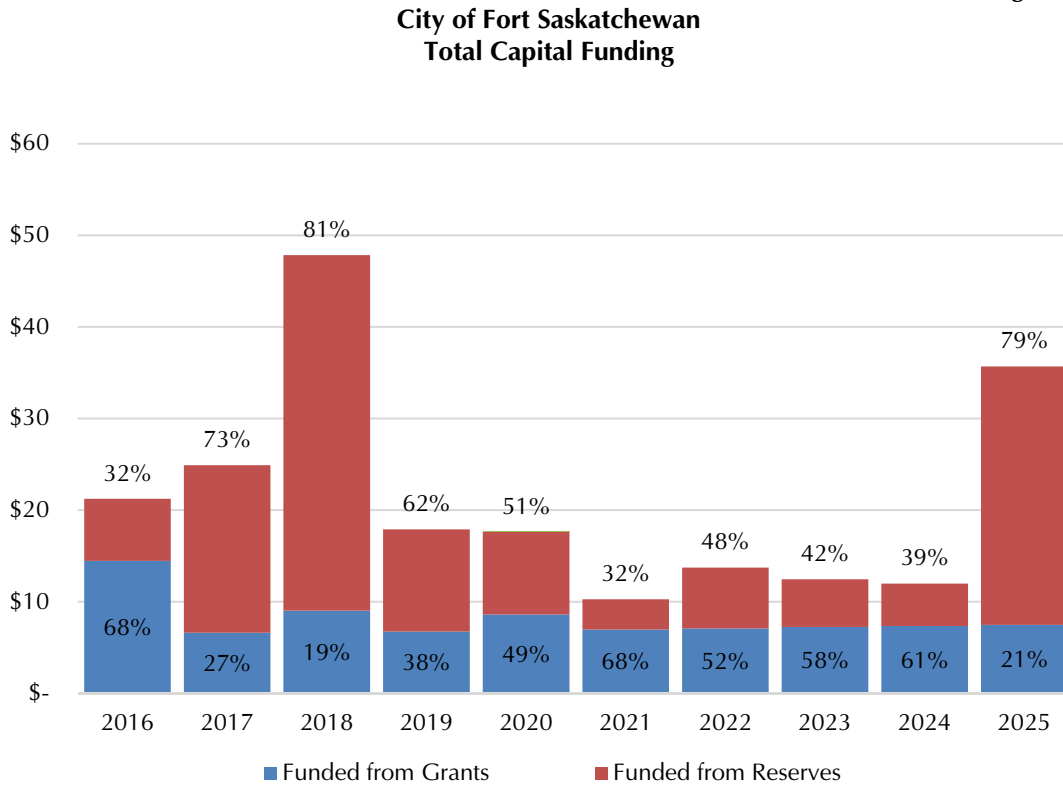
A 10-year forecast of total reserve balances is shown in Figure 9, along with total annual reserve contributions and draws. These totals represent over 20 reserve categories, including various off-site levy reserves and grant reserves. The abnormally large reserve draw in 2018 includes the \$13.2 million Reservoir and Pump House project to be funded through industrial off-site levies. The visible temporary decline in total reserve balance in 2025 can be primarily attributed to a planned widening of the Veterans Way corridor, at a cost of approximately \$15.4 million.

Figure 9



A comparison of the proportions of total annual capital funding sources made up by grants and reserves is summarized in Figure 10. On average, grant funding is anticipated to account for 38 per cent of all capital funding, while reserve funding (tax and developer supported) represents the remaining 62 per cent.

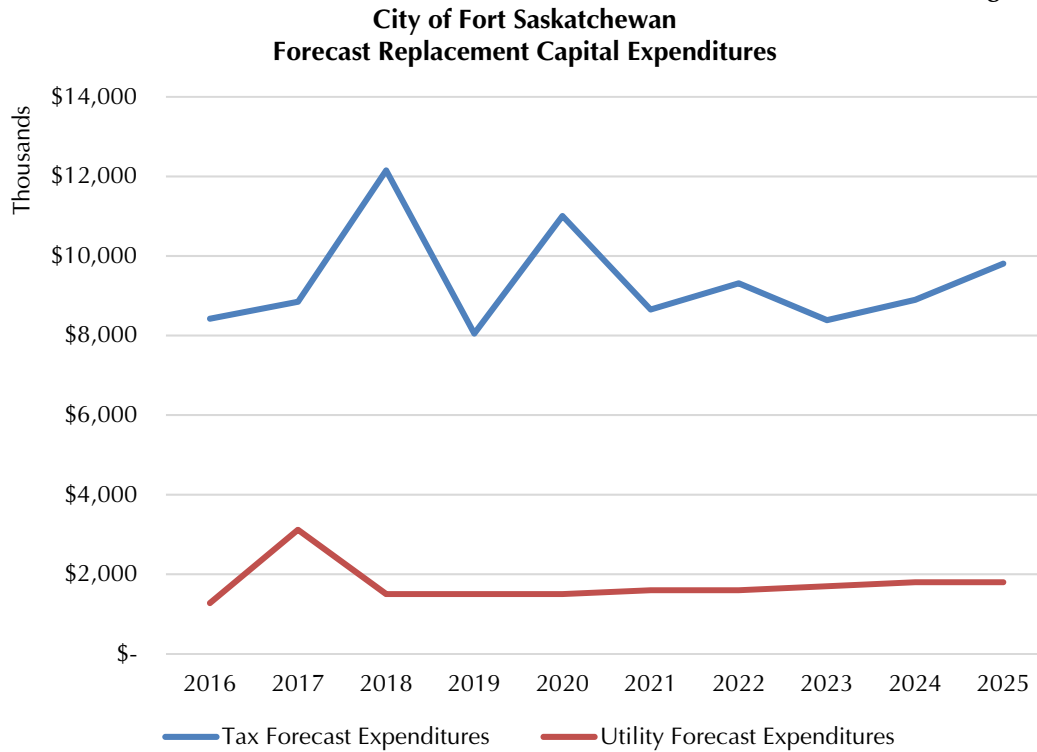
Figure 10



D. ASSET MANAGEMENT FORECAST

Figure 11 illustrates the City's planned expenditures on replacement capital over the 10-year period. Overall, 84 per cent of the City's replacement capital expenses over this time period are related to tax supported services while the other 16 per cent represent utility services including water, sewer, and solid waste services.

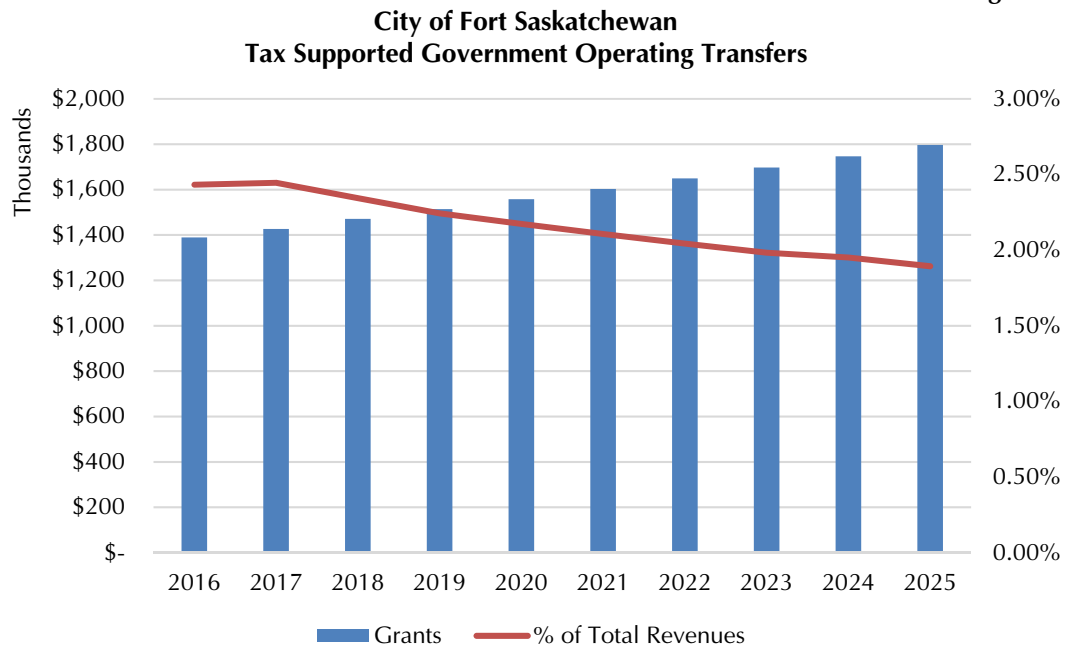
Figure 11



E. OPERATING GRANT FORECAST

As shown in Figure 12, operating grants are forecast to increase steadily in value over the 10-year period and are anticipated to decline slightly from 2.5 per cent to just under 2 per cent over the ten-year period.

Figure 12



IV WAYS TO MAINTAIN FINANCIAL SUSTAINABILITY

The City is a desirable community in which to reside or locate a business and growth has been strong for many years. The City is anticipated to experience positive, although slowing growth well into the future.

It is important that the City's LTFSP be supported by strong fiscal policies and practices. Key policy recommendations are introduced in this section and detailed within Appendix A. The appendix is structured into subsections as follows:

Appendix A.1 Reserve Funds

Appendix A.2 Debt Management Fiscal Policy

Appendix A.3 Preliminary Model Results

Appendix A.4 Off-site Levy

Appendix A.5 Assessment Composition

Appendix A.6 Senior Levels of Government Financial Support

Appendix A.7 User Fees Policy

It is intended that the policies be living documents that are reviewed and updated on an ongoing basis to reflect changing economic and fiscal realities and the strategic direction of Council. However, the policies once established, should be considered on a firm basis upon which the City implements, manages and tracks the objectives of the LTFSP. Furthermore, the accompanying Fiscal Impact Model supports both the policies and plan by providing a forecast of key indicators that can be used as a tool to undertake sensitivity testing of modification or changes.

A. INDICATORS OF FINANCIAL SUSTAINABILITY

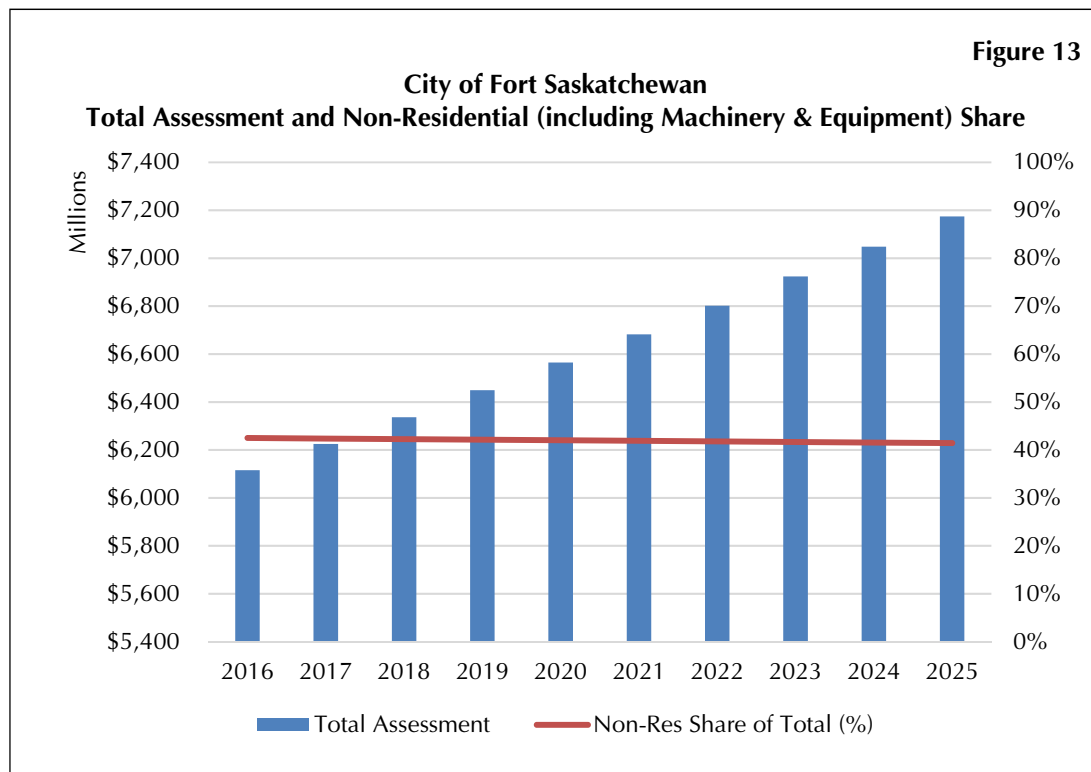
The LTFSP Report and associated Fiscal Impact Model establish a decision framework and tools that can be used to guide Council and administration in making sound financial decisions as part of long-term financial sustainability planning. The following are five key indicators of financial sustainability:

1. Promote Economic Growth
2. Maintain Infrastructure Assets
3. Manage Debt
4. Manage Expenditures
5. Ensure a Sustainable Revenue Structure

1. Promote Economic Growth

As part of the Capital Region, the City of Fort Saskatchewan has experienced rapid growth in recent years. Relatively high levels of growth and development are forecast to continue, although at a gradually slowing rate over time. The future economic prosperity of the City of Fort Saskatchewan is directly linked to being able to provide and maintain the municipal infrastructure and services necessary to support existing businesses, the community as a whole, as well as attracting new business. Furthermore, the City should be striving to maintain, and potentially expand upon, its strong non-residential share of the total assessment base.

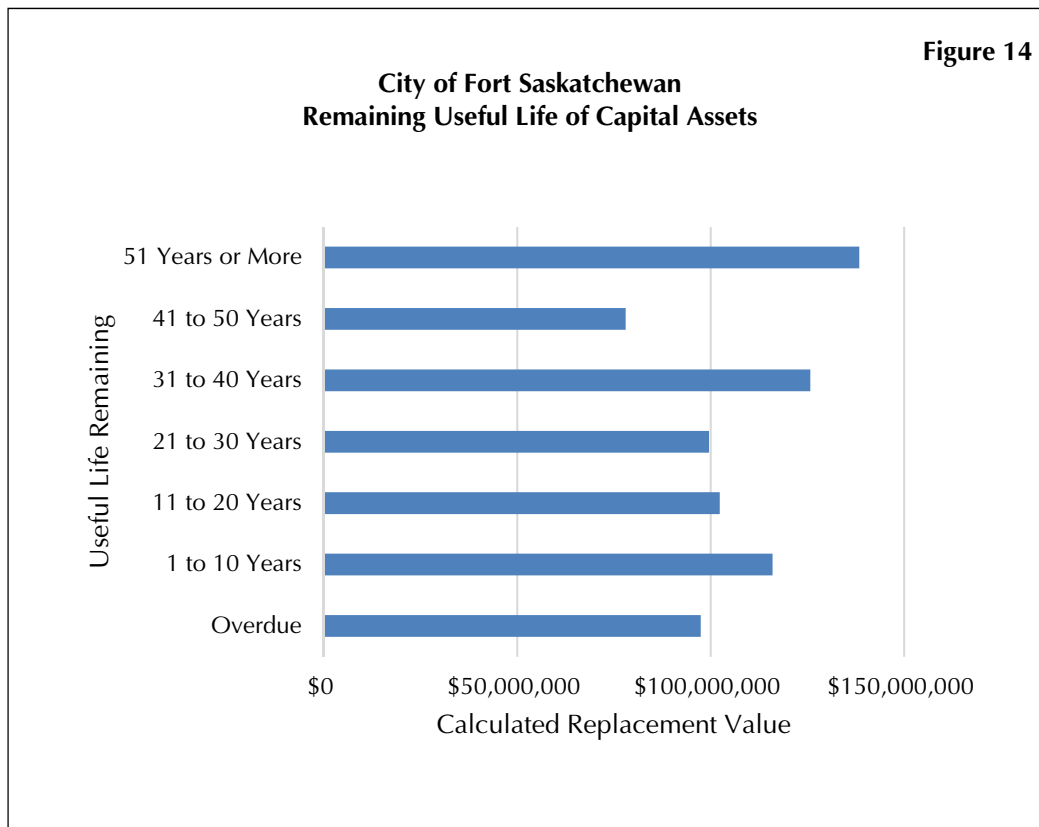
Figure 13 demonstrates anticipated steady growth in total property assessment base over the coming 10-year period. The non-residential (including machinery and equipment) share of the assessment base is forecast to decline very slightly over this time period, remaining above 41 per cent (unweighted).



2. Maintain Infrastructure Assets

Municipalities across the country are struggling with the how to manage the “infrastructure gap” that exists in all communities. As shown in Figure 14, it is estimated that the City of Fort Saskatchewan currently has assets with a replacement value of \$97 million that are in service beyond their accounting useful lives. Roads and related infrastructure account for the greatest share of this \$97 million, at approximately \$52 million or 53 per cent, followed by Planning and Development infrastructure and Parks, Trails, and Open Spaces with a combined \$30 million or 31 per cent. While these values may appear daunting, many assets may be performing adequately without the need for imminent replacement. Figure 14 illustrates a situation where the age of the City’s assets are relatively evenly distributed with the largest pool of assets having over 51 years of life remaining. This is expected given much of the City’s development, and related linear water, wastewater and storm infrastructure emplacement, has occurred in recent years.

Existing reserve and contributions levels are below calculated needs, and there is the forecast for significant new infrastructure to meet the service needs of new development. However, with prudent financial planning and manageable increases in reserve contributions, the City will be able to maintain its infrastructure assets.



3. Manage Debt

The use of long term debt is recognized as an important financial tool in sustainable long-term financial planning. The Canada West Foundation, in its June 2008 Report “Delivering the Goods”, makes the following comment:

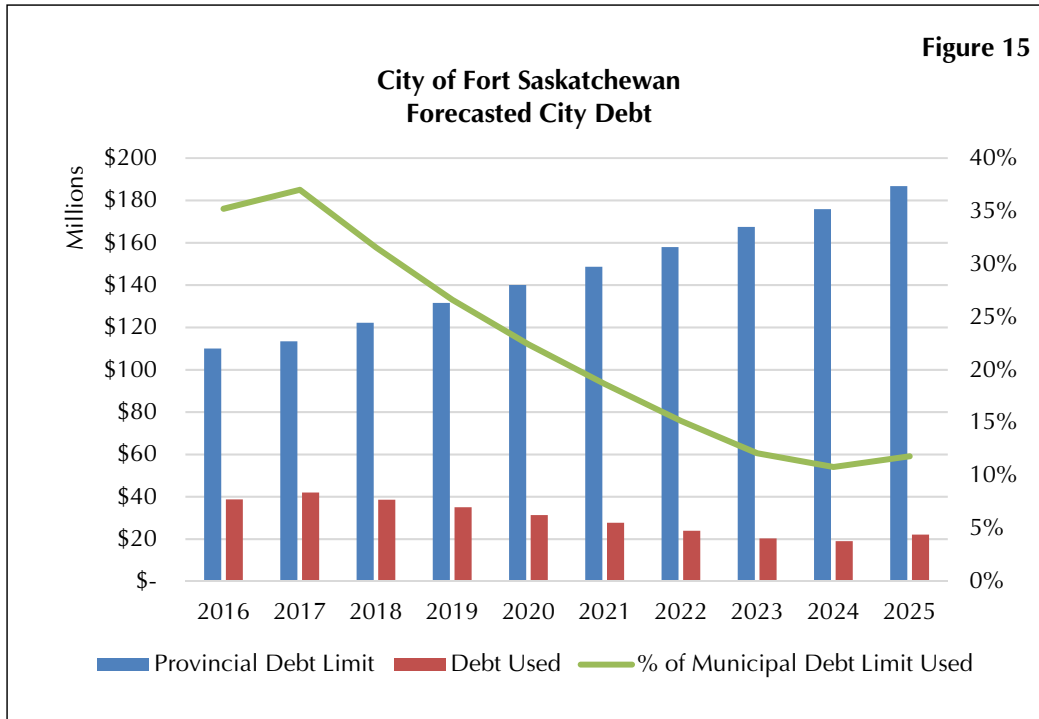
“Smart debt recognizes that borrowing is a valid form of infrastructure financing, and seeks to build consensus around the usage of debt by emphasizing its role as part of any long-term capital plan.”

The City of Fort Saskatchewan has used long-term debt to finance key infrastructure in the past and it is planning on using debt in the future. Growing municipalities often use debt as a means of efficiently and effectively financing infrastructure. Prudent use of debt can be a key tool in establishing a long-term financial sustainability plan.

The City has in place relatively strong debt policies and practices, recognizing the potential for debt financing to support substantial growth pressures and aging infrastructure. The City’s practice is to use debt to finance large projects with long term benefits, as well as to mitigate cost increases that can arise from deferring work.

The City currently does not have a municipal debt limit in place. Instead, the City’s debt policy is to comply with the Provincial debt limits as per the *Municipal Government Act*. The Act sets a total municipal debt limit of 1.5 times the revenue of the municipality and a debt service limit of 0.25 times the revenue of the municipality.

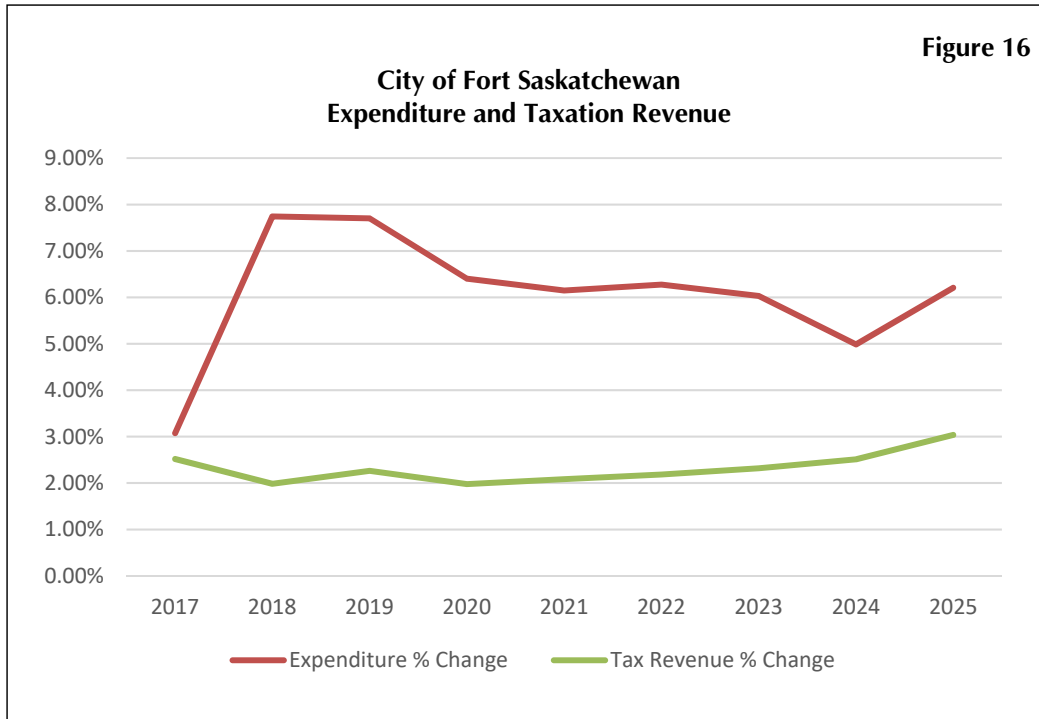
Figure 15 illustrates the City’s forecasted total municipal debt as compared with the forecasted Provincial limits over the coming decade. The City’s use of long-term debt is forecast to decrease over time, and total debt levels and annual payments will remain well below Provincial limits.



4. Manage Expenditures

Central to prudent financial planning is ensuring that expenditures are well managed. As the City has grown, there has been a significant upward pressure on expenditures as residents and business demand and expect services to be provided at reasonable levels and equitable across the municipality.

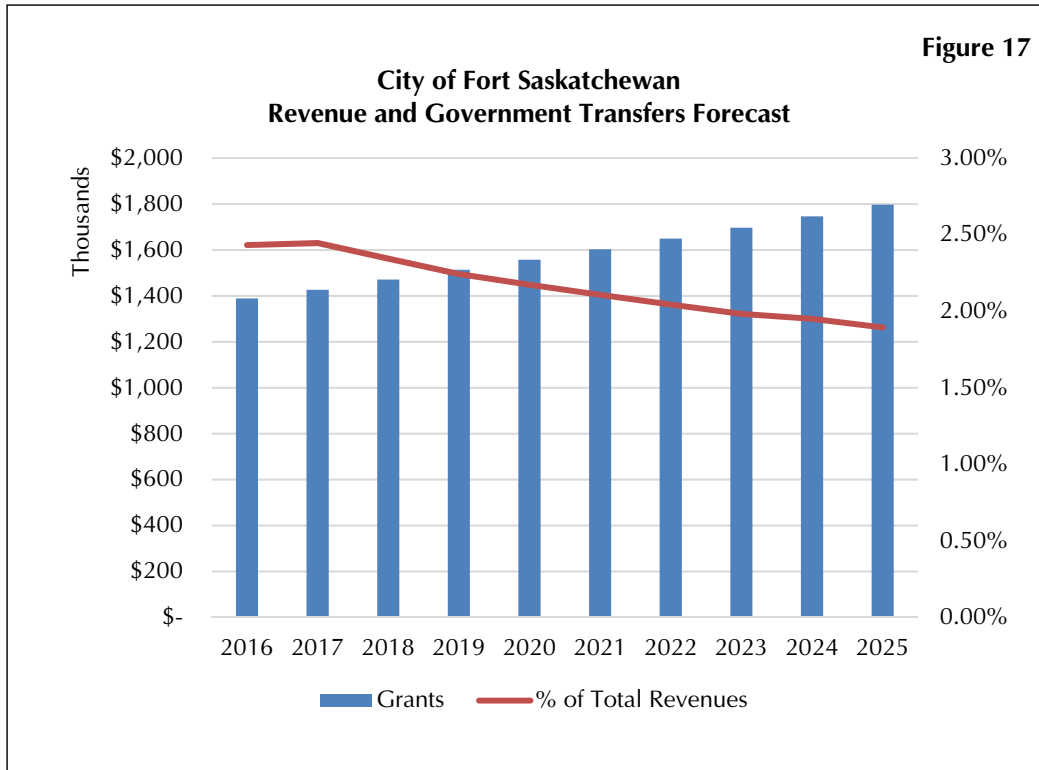
The City's annual expenditures are expected to continue to grow, resulting in some upward tax rate pressure. In order to mitigate the upward pressure on taxation levels, it is important that the City manage the timing and extent of infrastructure expansion and service level changes. This is particularly true of services with significant tax levy operating impacts, such as parks and recreation amenities. The provision of protective, fire, and police services can be particularly sensitive to growth and have significant tax levy funding operating impacts; it will be important that the City efficiently manage the expansion of these services, in line with assessment growth, to best manage taxation impacts.



5. Ensure a Sustainable Revenue Structure

The City of Fort Saskatchewan's main source of revenue is derived from property taxes. However, the City does benefit from transfers from other levels of government. A central consideration in examining municipal fiscal sustainability is a municipality's reliance on non-own source revenues, which are largely transfers from upper levels of government and other public agencies. The key concern with non-own source revenues is vulnerability, or risk, that the level of funding support could decrease or even be eliminated.

It is anticipated that transfers from senior levels of government will decline gradually over the next 10 years. The City should examine and understand the fiscal consequences of the decline, in absolute and real terms, of these transfers. It is prudent that the City consider opportunities to maximize other, non property tax, own sources of revenues without unfairly sacrificing access and equitability across all levels.



B. KEY RECOMMENDATIONS TO IMPROVE FISCAL SUSTAINABILITY

The following is a list of recommended strategies that can be used to enhance and improve municipal fiscal sustainability. It is noted that while the City is currently employing a number of these strategies, it should strive to continue and build upon current practices.

1. Manage Service Level Increases and Program Cost

As the City continues to grow and develop, there will be ongoing pressure to expand municipal infrastructure and servicing capacity. In order to manage sustainable taxation impacts, the City will need to carefully consider the timing and extent of service level increases. Managing service level changes will be particularly important for servicing with significant tax levy support (net operating cost subsidization) such as police and fire services. To the extent possible, the City should endeavor to expand servicing capacity at the same rate and pace as development and resulting added assessment.

Overall, the City will need to continue the past practice of efficiently and effectively managing the full range of City program costs. The City currently manages these costs through the annual budget process. Moving forward, the City will need to build on current practices, implementing the strategies of this report, to continue to plan for,

deliver, and manage services in an efficient and cost effective manner.

2. Support Non-Residential Land Uses

The City of Fort Saskatchewan benefits from a strong non-residential tax base. To maintain these benefits, the City should continuously work to encourage development of a full range of non-residential land uses, with particular emphasis on industrial and commercial activities. Recently, the City has taken steps to support local economic development by introducing the Business Development Program, which offers five new grant programs for business and commercial property owners. In addition to such programs, any future municipal boundary expansions should consider opportunities and implications for future assessment ratios.

3. Increase Developer Funded Share of Growth-Related Capital

Significant tax-supported funding will be required for future growth-related infrastructure. The City should continue to work with other municipalities to encourage the Province to extend the scope of off-site levies to non-engineered services to support this growth (see Appendix A.4 for additional discussion). The City may also work to encourage voluntary infrastructure contributions from developers, and review development agreement requirements to determine whether the City can work more collaboratively with the development industry in the delivery of growth-related infrastructure.

4. Work to Maintain Existing Operating Grants

The City should continue to work with the Province to ensure grants sufficiently address financial requirements for mandated programs.

5. Utilize Fiscal Impact Model

Use of the Fiscal Impact Model should be integrated into the City's annual financial planning processes. It can be used on an ongoing basis to compare program budget submissions to volume-based (e.g. demographic) indicators, as well as to test the multi-year taxation impact of any operating and capital cost changes.

6. Move Towards Dynamic Condition-Based Asset Management System

Individual accounting and departmental inventories could be integrated into a single storable database. A sampling of data that could be part of a central inventory is shown in the table below. The tabular inventory should have GIS integration capability and should be able to link to the City's enterprise system. The key objective of this change is to move the City from a series of simple accounting based inventories to a single dynamic inventory that is suited to long-term planning.

Sample Centralized Asset Data			Table 2
• Asset ID	• Department	• Class	
• Category	• Description	• City Owned (Yes/No)	
• Location	• Year Emplaced	• Depreciation (Yes/No)	
• Off-Site Eligible (Yes/No)	• Rehab Year	• Rehab Nature	
• Condition Rating	• Accounting Based Useful Life	• Condition Based Useful Life	
• Service Level Priority	• Consequence Of Failure	• Acquisition Cost	
• Depreciated Cost	• Replacement Cost	• Subcomponents	
• New Capital Additions			

In order to improve the quality and accuracy of the data, several additional pieces of information should be considered in the City's inventory. Data could be improved with the following information:

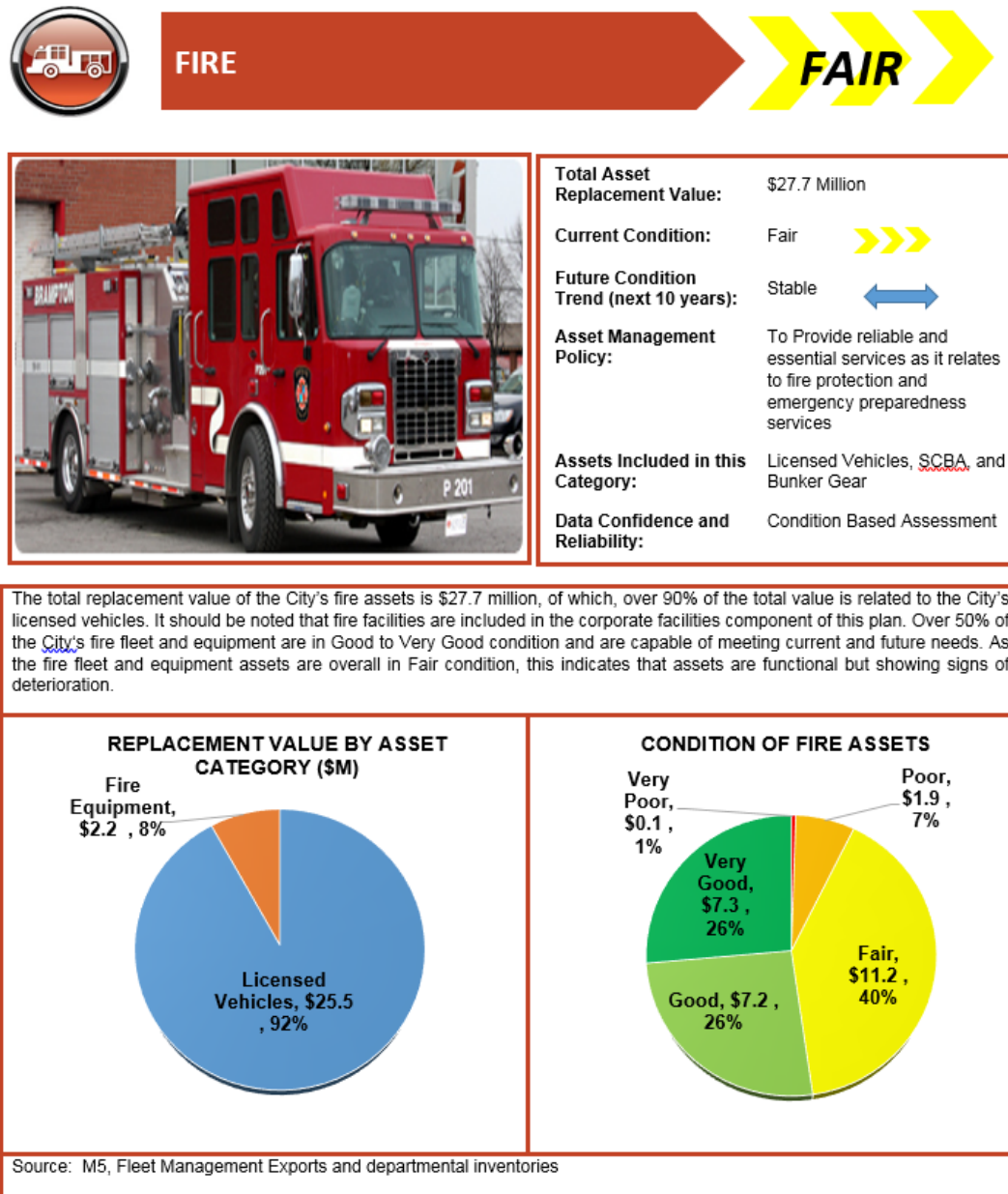
- What does the City own and operate?
- What is the condition of each City asset?
- How much longer will the asset last?
- What is the cost of replacing the asset?

A software-based asset management solution can provide several noteworthy advantages including:

- Capital asset risk analysis;
- Coordination of events;
- Building asset strategies; and
- Ease of operation.

When contemplating the adoption of a software system, the City should consider multi-user access, audit tracking, back-up, ease-of-use, graphical improvements and scenario testing capabilities. The City should also consider the establishment of asset management report cards. An example from the City of Brampton is provided below.

Figure 18. City of Brampton Sample State of Local Infrastructure Summary (2016 CAMP)



7. Multi-Year Budgeting and Tax Rate Strategy

Staff should continue to work with Council to enhance the budgeting process to incorporate more efficiencies and greater transparency. The City's 2017 Budget includes budget request sheets for major projects which are a great way of presenting the impact of projects and initiatives to Council and the public.

The Fiscal Impact Model developed as part of the LTFSP has been designed as a tool to assist in the multi-year budget process and allow for sensitivity testing of various operational and capital cost scenarios over a ten year or longer horizon. The model should be utilized to determine the best timing and use of tax rate smoothing initiatives.

C. THE PLANNING, FORECASTING AND BUDGETING PROCESS: GAPS AND OPPORTUNITIES FOR IMPROVEMENTS

The City of Fort Saskatchewan follows a robust and fulsome process in the development of an annual budget and resulting property tax and utility rates. The development of the LTFSP and associated model will require some adjustments and enhancements to this process, including the following:

1. Multi-Year Budget Approval and Tax Rate Strategy

Utilizing a multi-year scope, the City should utilize tax rate smoothing strategies, particularly for the implementation of expanded or enhanced services, to avoid the negative impact of large tax rate increases.

2. Improved Co-Ordination of Department Plans & Studies and Overall Budgeting

Over the last number of years, the City has undertaken several studies at the department level examining the service needs and constraints of the City infrastructure and services. Furthermore, the City has a number of different sources of information related to quantification of asset inventories and the needs associated with managing and maintaining existing assets.

It is recommended that the City increase efforts to co-ordinate the findings of these studies with the budget process and the medium-to-long range financial planning. The Fiscal Impact Model created as part of this study process has amalgamated these various sources of data and information. It will be important that annual updates to the model capture any new, or updated, department level studies that have asset and fiscal impacts.

3. Property Assessment Composition

The City of Fort Saskatchewan should strive to maintain its currently strong non-residential assessment share of the total taxable assessment (unweighted) of over 40 per cent. Appendix A.5 provides additional commentary on this issue.

4. Off-site Levies

The City currently uses a rigorous model and approach in setting and implementing

off-site levies. A few enhancements to the current approach are recommended, as follows:

- Coordinate with Planning & Development department in future updates to the off-site levy bylaw and rate calculations to ensure consistency in the quantity and location of land available for development, as well as historical and forecasted rates of development;
- Maximize opportunities to recover the cost of “local” infrastructure directly against the benefitting land owners, rather than through the off-site levy; and
- Ensure the off-site levy calculations include all financing costs associated with the provision of the associated infrastructure. Consider exploring and enhancing policies that allow for land owners to directly assist in the front-end financing of off-site levy infrastructure.

Additional commentary is provided within Appendix A.4.

5. Full Cost Recovery Utility Rates

The City should ensure its water, sewer and solid waste utility rates are full cost recovery. The City currently recovers all direct and indirect costs but long-term asset replacement obligations are not fully funded. While it may not be viable to move to fully calculated contribution in the short-term, reasonable and sustainable targets should be established.

The City should also consider establishing a stormwater utility rate, which is becoming increasingly common in municipalities across Canada. A stormwater rate can help address long-term stormwater asset replacement deficiencies and make available tax room for the replacement of other assets such as roads and buildings.

6. Enhanced Reserve Fund Policies & Practices

The City should review and enhance existing reserve fund policies to ensure that the reserve fund contribution, withdrawals, and forecast balance needs are based on realistic and sustainable assumptions and practices. The followings practices are recommended:

- Ensure that the Financial Stabilization and Self Financing Infrastructure reserves have sufficient monies available to sustain multiple years of lower than expected revenues (i.e. revenues below 5% of forecast/budget);
- The City’s practice of allocating operating surpluses equally to the Financial Stabilization, Self Financing Infrastructure and Land Sale reserves is reasonable.

- The Financial Stabilization reserve should continue to be used for annual operating shortfalls;
- The City should consider using the Self Financing Infrastructure reserve for any large infrastructure investments that maintain or increase service levels.
- Ensure that reserves for “short-life” assets (i.e. computers, mobile equipment, DCC equipment, ice resurfacers, police equipment, and fire equipment) are fully funded and based on established replacement cycles; and
- Quantify the full life cycle costs of major assets, differentiated between property tax support and utility rate supported, and establish policies and practices to ensure that adequate monies are available to repair, rehabilitate and replace assets while maintaining desired service levels and meeting, or exceeding, health and safety standards.

APPENDIX A.1

RESERVE FUNDS

A.1 RESERVE FUNDS

The reserve policy analysis includes three sections; General Reserve Policies which discuss recommendations on the overall administration of the reserves, Specific Policies for Key Reserves and a Summary of Forecasted Reserve Contributions.

1. General Reserve Policies

The City of Fort Saskatchewan's current policies and practices with respect to reserves are summarized as follows:

- Annual reserve contributions are used to maintain a reasonable amount of designated reserve funds to provide for unexpected variations, which can arise from environmental or economic events, and avoid the need to incur debt;
- Interest is allocated to year end reserve balances based on City's annual average interest earned on investments; and
- All reserve fund balances are committed with the exception of the Financial Stabilization (Contingency) Reserve and the Self Financing Infrastructure Reserve, whose balances may be used to mitigate current and future risks. These reserve balances should contain a total amount roughly equal to 3 months of annual operating budget (translating to approximately \$17 million for the City in 2016).

Recommended reserve policies are described below.

a. Reserve Report

Upon the establishment of any reserve, a Reserve Report should be created with the following information:

- Name
- Source of funds
- Authority for expenditure of funds
- Limits to amount (floor and ceiling)
- Is the reserve "funded"?
- Term of the fund along with the ultimate disposition of the funds

It is recommended that a Reserve Report not only be created for all new reserves but all current reserves should have this information available.

b. Reviewing Reserve Reports

- Each reserve report should undergo a thorough review at the beginning of the multi-year budget period.

c. Over or Under Funded Reserves

- The levels of the reserves should be monitored annually.
- When a reserve is over or under funded a plan to return the reserve to normal levels should be created.

2. Specific Policies for Key Reserve Categories

Specific reserve policies are shown in a series of tables and graphs for the following reserve categories:

Reserve Category	Reserves Included
General Operating Reserves	Art in Public Places Human Resources Health & Safety
Major Capital/Operating Projects	Fire Waterline Facilities Maintenance (Life Cycle Maintenance) Recreational Maintenance (Life Cycle Maintenance)
GST	GST Savings
Land Purchases	Land Purchases
Self Financing Infrastructure	Self Financing Infrastructure
Community Enhancement (no interest earned)	Commercial Beautification
Community Enhancement (interest earned)	Westpark Estates Community Enhancement
Equipment & Fleet Management	Computer Replacement DCC Equipment Replacement Fire Equipment Replacement Ice Resurfacing Replacement Police Equipment Replacement Mobile Equipment Replacement
Utilities Infrastructure	Utilities Infrastructure
Contingency	Financial Stabilization

Reserve Category	Reserves Included
Other Reserves (no interest earned)	FCSS Canada Assistance Plan Transportation Assistance
Other Reserves (interest earned)	Parks D.A.R.E. Perpetual Care
Fort Centre Off-site Levy	Fort Centre
Medium Industrial Off-site Levy	Medium Industrial
Southfort Off-site Levy	Southfort
Westpark Estates Off-site Levy	Westpark Estates
Other Funding Source	Other Funding Source
Municipal Sustainability Initiative	Municipal Sustainability Initiative
Federal Gas Tax Fund	Federal Gas Tax Fund

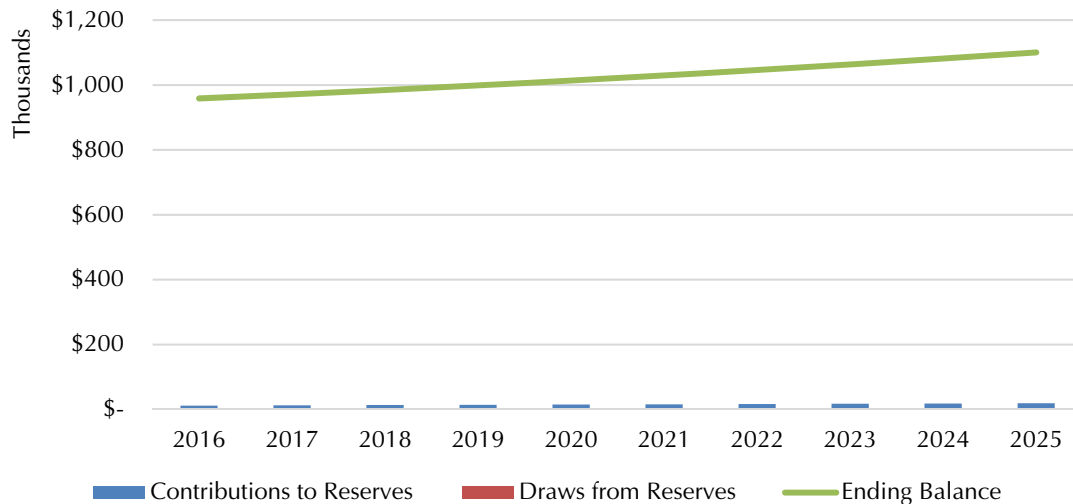
Also included are the 5-year forecast and a graph of the 10-year summary for each reserve. The amounts shown for the contributions are based on the assumptions in the financial model and consider the 10-year funding requirements. These requirements will undoubtedly change and the contributions may end up varying from those shown below.

Operating Reserves		
Purpose	Current	Used for a variety of operating purposes, including: public art purchases, human resource initiatives, and health and safety initiatives
	Proposed	Maintain current purpose. Review on an annual basis and revise scope as necessary.
Source of Funds	Current	- Annual operating budget surpluses - Annual Federal Employment Insurance rebate program - Other sources as approved by Council
	Proposed	Maintain current practice. Review on an annual basis and revise as necessary.
Use of Funds	Current	- Purchase of art from local artists - Human Resource initiatives - Health and Safety initiative and employee wellness
	Proposed	Maintain current practice. Review on an annual basis and revise as necessary.
Ceiling/Floor	Current	No formal policy
	Proposed	Contributions should be designed to fund forecast projects
Duration		Ongoing

Reserve Summary

	Current Budget	5-Year Forecast				
	2016	2017	2018	2019	2020	2021
Opening Balance	\$947,000	\$959,000	\$971,000	\$984,000	\$999,000	\$1,014,000
Contributions	\$12,000	\$13,000	\$13,000	\$14,000	\$15,000	\$16,000
Change in Contributions \$		\$1,000	\$0	\$1,000	\$1,000	\$1,000
Change in Contributions %		8%	0%	8%	7%	7%
Closing Balance	\$959,000	\$971,000	\$984,000	\$999,000	\$1,014,000	\$1,030,000

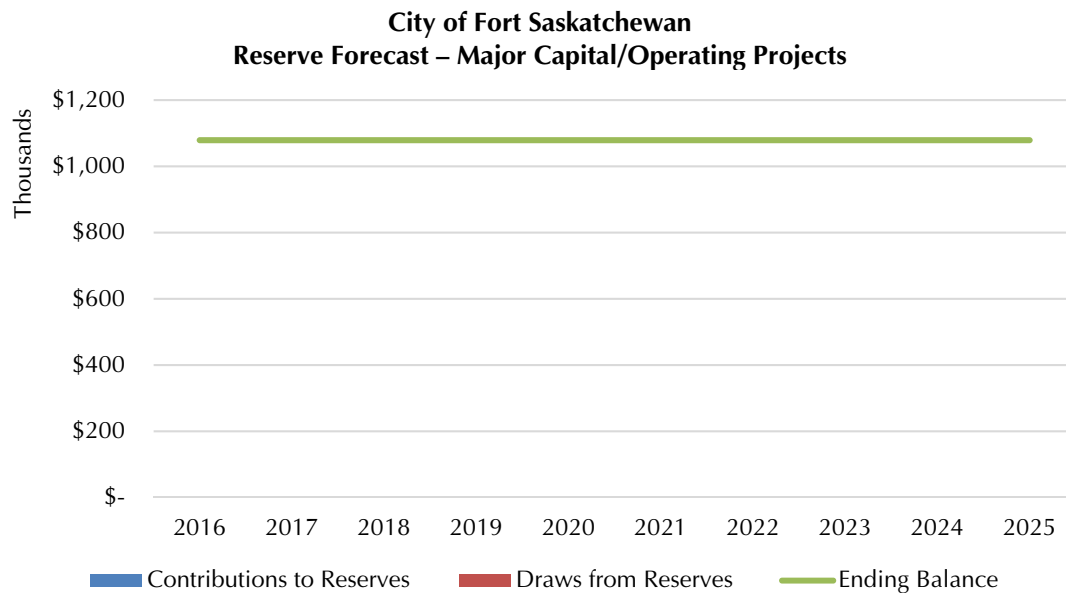
Figure 19
City of Fort Saskatchewan
Reserve Forecast – Operating Reserves



Major Capital/Operating Projects Reserves		
Purpose	Current	To set aside funds for future facility maintenance needs, as well as future fire waterline construction/replacement
	Proposed	Consider expanding to cover new capital and operating priorities as needed. Priority should be replacement and rehabilitation of infrastructure.
Source of Funds	Current	Not specified
	Proposed	Tax supported funds
Use of Funds	Current	- Fire Waterline reserve: Future replacement of the Dow Chemical fire waterline; potential funding source for waterlines to be constructed in the Josephburg North ASP - Facilities life cycle maintenance projects (e.g. roof repairs, replacement of HVAC systems and boilers) - Recreational facilities life cycle maintenance (e.g. sports field turf replacement, pool tile replacement)
	Proposed	Consider expanding to cover new capital and operating priorities as needed
Ceiling/Floor	Current	No formal policy
	Proposed	Should be based on requirements to fund maintenance/upgrades/replacement of facilities and other infrastructure as needed
Duration		Ongoing

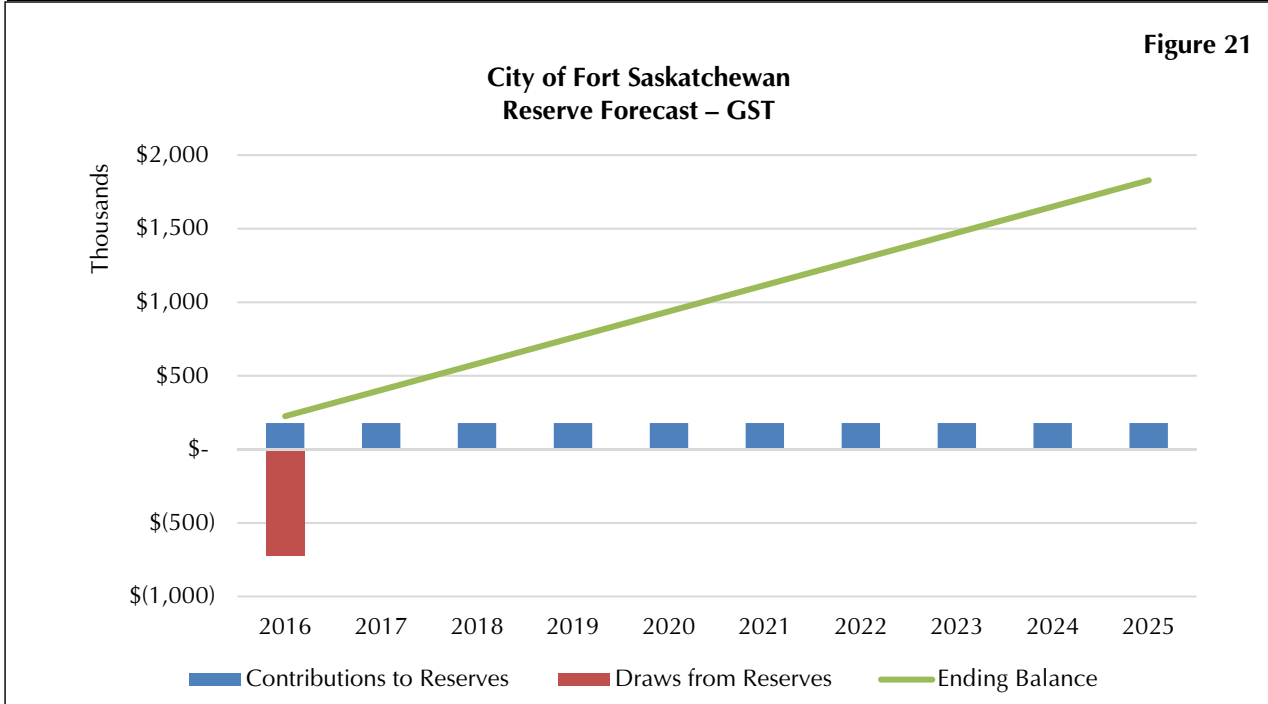
Reserve Summary						
	Current Budget	5-Year Forecast				
	2016	2017	2018	2019	2020	2021
Opening Balance	\$1,079,000	\$1,079,000	\$1,079,000	\$1,079,000	\$1,079,000	\$1,079,000
Contributions	\$0	\$0	\$0	\$0	\$0	\$0
Change in Contributions \$		\$0	\$0	\$0	\$0	\$0
Change in Contributions %		N/A	N/A	N/A	N/A	N/A
Closing Balance	\$1,079,000	\$1,079,000	\$1,079,000	\$1,079,000	\$1,079,000	\$1,079,000

Figure 20



GST Reserve		
Purpose	Current	Established in 2004, as a result of the reduction in GST rate from 7% to 5%, to help fund capital projects
	Proposed	Same as current
Source of Funds	Current	Annual contribution based on GST savings in 2004 resulting from reduction in GST rate from 7% to 5%
	Proposed	Same as current
Use of Funds	Current	50% to fund capital projects along the river valley 50% to fund other capital projects
	Proposed	Review use of funds on an annual basis and adjust as capital priorities evolve
Ceiling/Floor	Current	No formal policy
	Proposed	Should be based on capital requirements
Duration		Ongoing

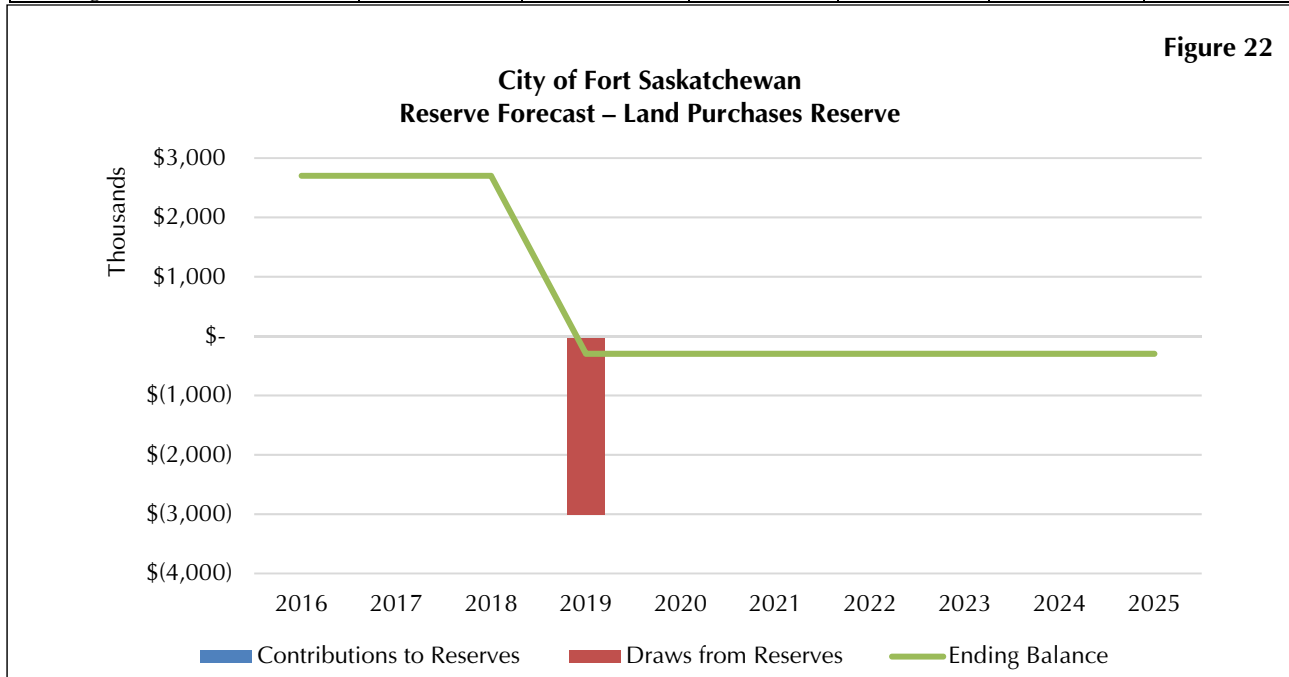
Reserve Summary						
	<i>Current Budget</i>	5-Year Forecast				
	2016	2017	2018	2019	2020	2021
Opening Balance	\$770,000	\$226,000	\$404,000	\$582,000	\$760,000	\$938,000
Contributions	\$178,000	\$178,000	\$178,000	\$178,000	\$178,000	\$178,000
Change in Contributions \$		\$0	\$0	\$0	\$0	\$0
Change in Contributions %		0%	0%	0%	0%	0%
Closing Balance	\$226,000	\$404,000	\$582,000	\$760,000	\$938,000	\$1,116,000



Land Purchases Reserve		
Purpose	Current	• To fund future land purchases or improvements
	Proposed	• Same as current
Source of Funds	Current	• From 33.33% of annual operating surplus
	Proposed	• Same as current
Use of Funds	Current	• Future purchase or improvement to City land for development and/or sale
	Proposed	• Same as current
Ceiling/Floor	Current	• No formal policy
	Proposed	• Contributions designed to fund forecasted projects
Duration		• Ongoing

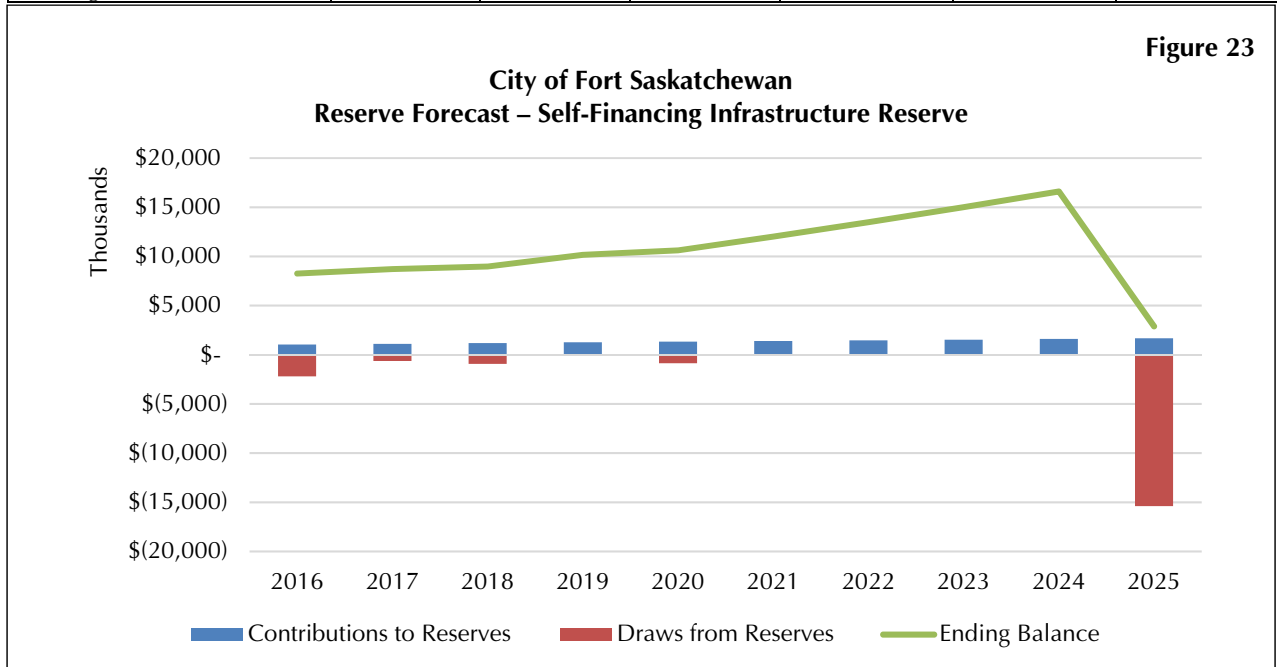
Reserve Summary						
	<i>Current Budget</i>	5-Year Forecast				
	2016	2017	2018	2019	2020	2021
Opening Balance	\$2,702,000	\$2,702,000	\$2,702,000	\$2,702,000	-\$298,000	-\$298,000
Contributions	\$0	\$0	\$0	\$0	\$0	\$0
Change in Contributions \$		\$0	\$0	\$0	\$0	\$0
Change in Contributions %		N/A	N/A	N/A	N/A	N/A
Closing Balance	\$2,702,000	\$2,702,000	\$2,702,000	-\$298,000	-\$298,000	-\$298,000

Figure 22



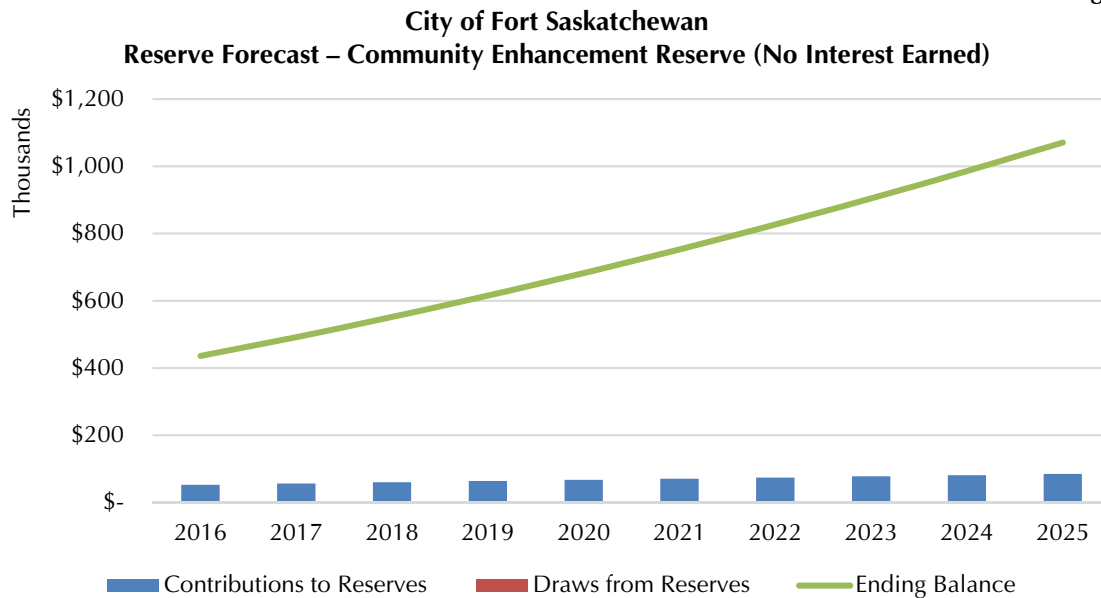
Self-Financing Infrastructure Reserve		
Purpose	Current	• For self-financing capital projects and stabilization of pay-as-you-go funding
	Proposed	• Maintain current purpose
Source of Funds	Current	• 33.33% of annual operating surpluses
	Proposed	• Same as current
Use of Funds	Current	• To fund self-financing capital projects • Stabilization of tax stabilization funding from year to year
	Proposed	• Same as current
Ceiling/Floor	Current	• Maintain a minimum balance equal to approximately 3 months of City's total budget
	Proposed	• Same as current
Duration		• Ongoing

Reserve Summary						
	Current Budget	5-Year Forecast				
	2016	2017	2018	2019	2020	2021
Opening Balance	\$9,414,000	\$8,255,000	\$8,724,000	\$8,969,000	\$10,171,000	\$10,626,000
Contributions	\$1,033,000	\$1,105,000	\$1,183,000	\$1,260,000	\$1,325,000	\$1,391,000
Change in Contributions \$		\$72,000	\$78,000	\$77,000	\$65,000	\$66,000
Change in Contributions %		7%	7%	7%	5%	5%
Closing Balance	\$8,255,000	\$8,724,000	\$8,969,000	\$10,171,000	\$10,626,000	\$12,017,000



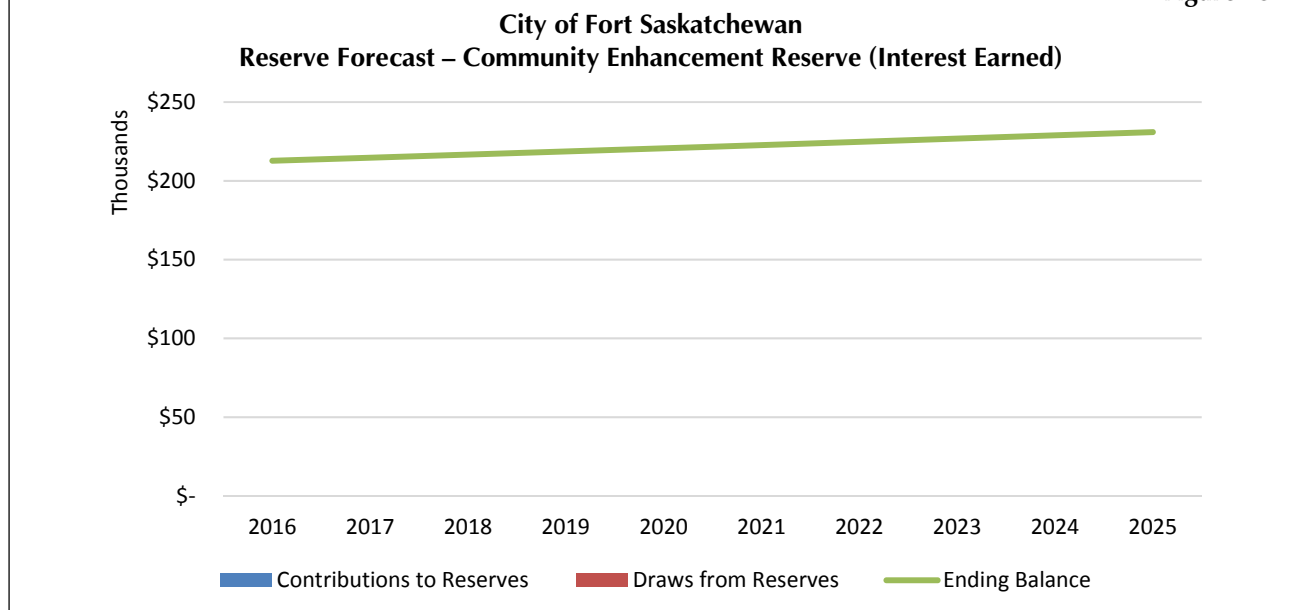
Community Enhancement Reserve – No Interest Earned		
Purpose	Current	• For improvements to commercial areas of the City
	Proposed	• Maintain current purpose
Source of Funds	Current	• 25% of the annual business license fee collected
	Proposed	• Same as current
Use of Funds	Current	• Improvements to commercial areas of the City
	Proposed	• Same as current
Ceiling/Floor	Current	• No formal policy
	Proposed	• Contributions designed to fund forecasted projects
Duration		• Ongoing

Reserve Summary						
	<i>Current Budget</i>	5-Year Forecast				
	2016	2017	2018	2019	2020	2021
Opening Balance	\$384,000	\$436,000	\$492,000	\$552,000	\$616,000	\$683,000
Contributions	\$52,000	\$56,000	\$60,000	\$64,000	\$67,000	\$70,000
Change in Contributions \$		\$4,000	\$4,000	\$4,000	\$3,000	\$3,000
Change in Contributions %		8%	7%	7%	5%	4%
Closing Balance	\$436,000	\$492,000	\$552,000	\$616,000	\$683,000	\$753,000

Figure 24

Community Enhancement Reserve – Interest Earned						
Purpose	Current	• Originally intended for the purpose of future enhancement to the Westpark Estate Community. In 2015, all the funding has been allocated to the conversion of Pointe Aux Pins road to a multi-use trail project.				
	Proposed	• Review on annual basis and consider extending to additional development areas as necessary				
Source of Funds	Current	• Funding received pursuant to the Land Purchase Agreement with Bradson Developments Ltd. in 1988				
	Proposed	• Consider expanding to collect funds from additional development-related sources				
Use of Funds	Current	• Conversion of Pointe Aux Pins road to a multi-use trail project				
	Proposed	• Same as current				
Ceiling/Floor	Current	• No formal policy				
	Proposed	• Contributions designed to fund forecasted projects				
Duration		• Ongoing				
Reserve Summary						
	Current Budget		5-Year Forecast			
	2016	2017	2018	2019	2020	2021
Opening Balance	\$211,000	\$213,000	\$215,000	\$217,000	\$219,000	\$221,000
Contributions	\$0	\$0	\$0	\$0	\$0	\$0
Change in Contributions \$		\$0	\$0	\$0	\$0	\$0
Change in Contributions %		N/A	N/A	N/A	N/A	N/A
Closing Balance	\$213,000	\$215,000	\$217,000	\$219,000	\$221,000	\$223,000

Figure 25

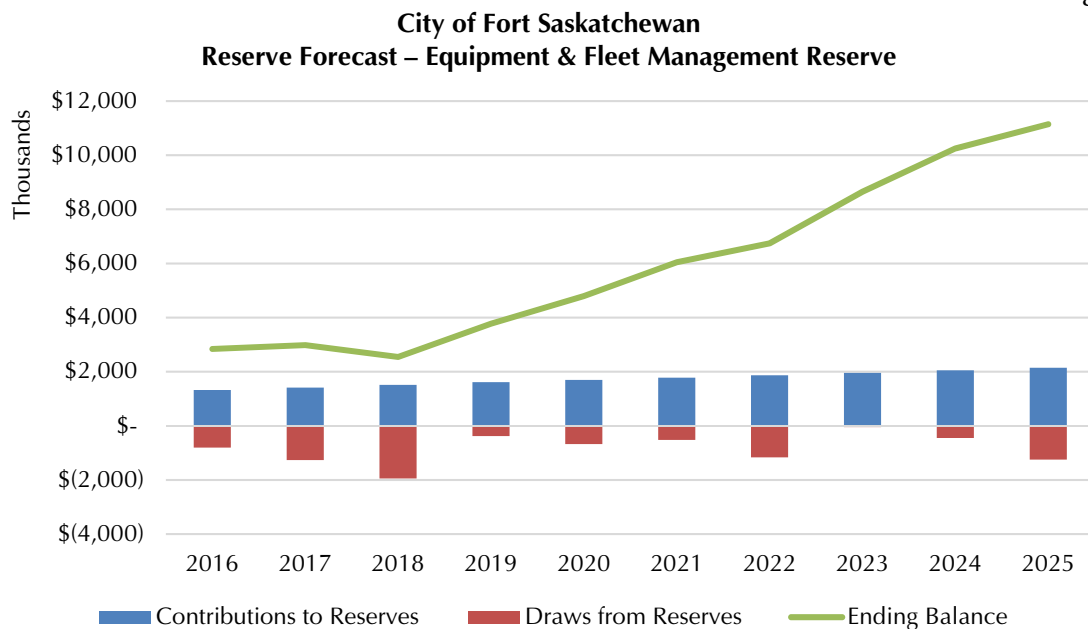


Equipment & Fleet Management Reserve		
Purpose	Current	• For annual equipment and fleet replacement based on the long term capital plan
	Proposed	• Maintain current purpose
Source of Funds	Current	• Annual contributions are based on the estimated replacement costs
	Proposed	• Same as current
Use of Funds	Current	• For annual replacement of computers, DCC equipment, fire equipment, ice resurfacing equipment, police equipment, and mobile equipment
	Proposed	• Same as current
Ceiling/Floor	Current	• Contributions designed to fund forecasted projects
	Proposed	• Same as current
Duration		• Ongoing

Reserve Summary

	Current Budget	5-Year Forecast				
	2016	2017	2018	2019	2020	2021
Opening Balance	\$2,324,000	\$2,839,000	\$2,985,000	\$2,547,000	\$3,775,000	\$4,792,000
Contributions	\$1,321,000	\$1,413,000	\$1,512,000	\$1,611,000	\$1,693,000	\$1,778,000
Change in Contributions \$		\$92,000	\$99,000	\$99,000	\$82,000	\$85,000
Change in Contributions %		7%	7%	7%	5%	5%
Closing Balance	\$2,839,000	\$2,985,000	\$2,547,000	\$3,775,000	\$4,792,000	\$6,047,000

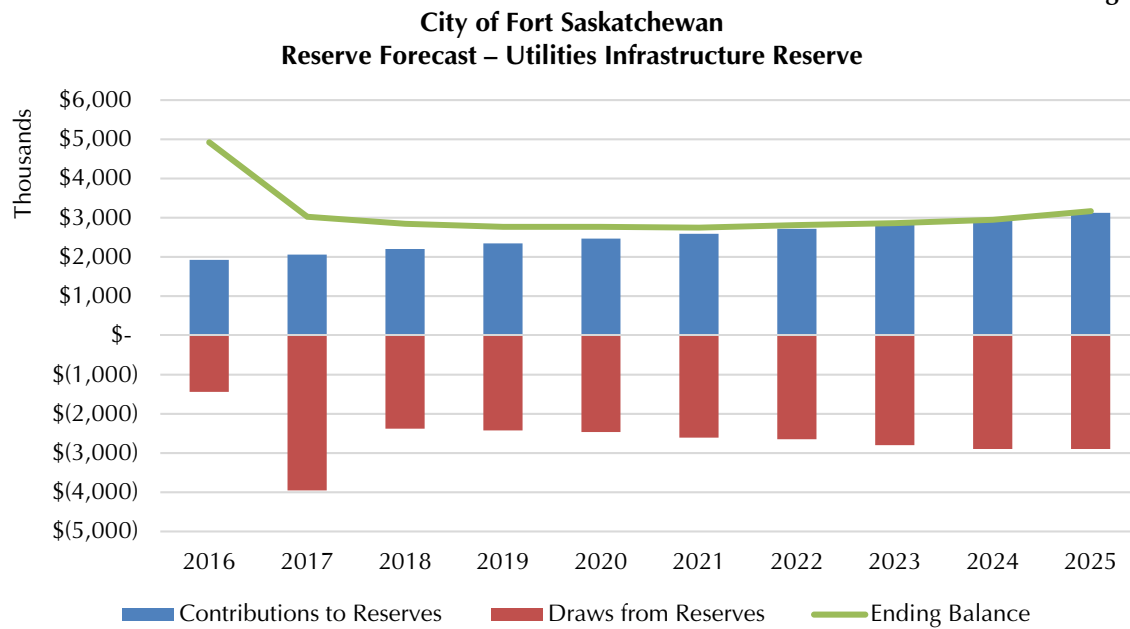
Figure 26



Utilities Infrastructure Reserve		
Purpose	Current	• To fund replacement of utility infrastructure based on the long term capital plan
	Proposed	• Maintain current purpose
Source of Funds	Current	• Equity returns from the utility rates
	Proposed	• Same as current
Use of Funds	Current	• Replacement of City's utility infrastructure
	Proposed	• Same as current
Ceiling/Floor	Current	• No formal policy
	Proposed	• Annual contributions should be based on engineering based condition assessments and annual expenditures required to fund the 10-year capital plan
Duration		• Ongoing

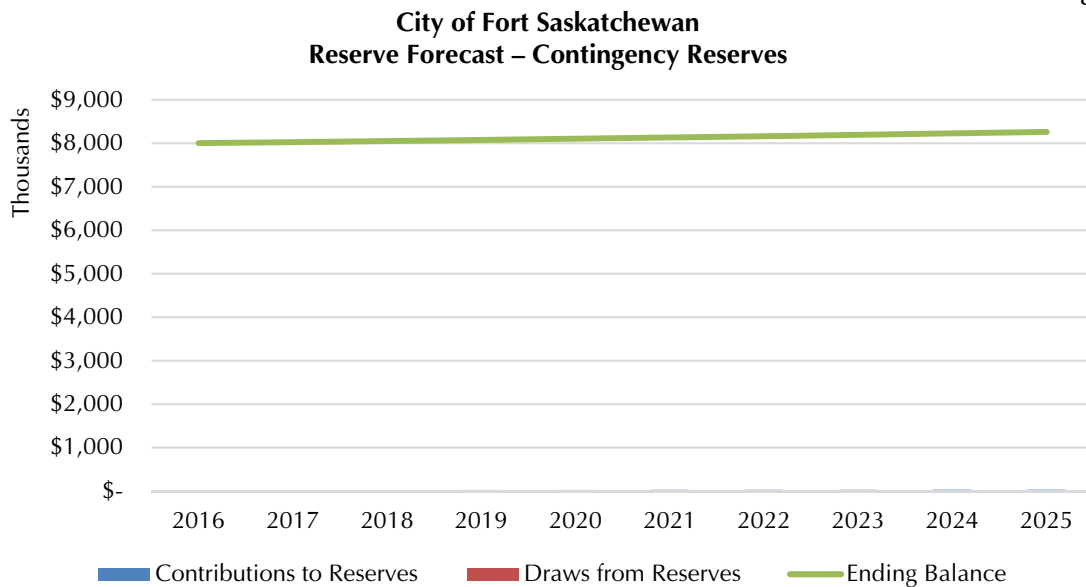
Reserve Summary						
	Current Budget	5-Year Forecast				
	2016	2017	2018	2019	2020	2021
Opening Balance	\$4,442,000	\$4,924,000	\$3,025,000	\$2,845,000	\$2,767,000	\$2,767,000
Contributions	\$1,924,000	\$2,058,000	\$2,202,000	\$2,346,000	\$2,466,000	\$2,590,000
Change in Contributions \$		\$134,000	\$144,000	\$144,000	\$120,000	\$124,000
Change in Contributions %		7%	7%	7%	5%	5%
Closing Balance	\$4,924,000	\$3,025,000	\$2,845,000	\$2,767,000	\$2,767,000	\$2,748,000

Figure 27



Contingency Reserves		
Purpose	Current	• To stabilize fluctuations in operating costs
	Proposed	• Maintain current purpose
Source of Funds	Current	• 33.33% of annual operating surpluses
	Proposed	• Same as current
Use of Funds	Current	• To protect the City against any unforeseen operating costs that would cause the City to incur an operating deficit
	Proposed	• Same as current
Ceiling/Floor	Current	• Maintain a minimum balance equal to approximately 3 months of City's total budget
	Proposed	• Same as current
Duration		• Ongoing

Reserve Summary						
	<i>Current Budget</i>	5-Year Forecast				
	2016	2017	2018	2019	2020	2021
Opening Balance	\$7,981,000	\$8,002,000	\$8,025,000	\$8,050,000	\$8,076,000	\$8,103,000
Contributions	\$21,000	\$23,000	\$24,000	\$26,000	\$27,000	\$29,000
Change in Contributions \$		\$2,000	\$1,000	\$2,000	\$1,000	\$2,000
Change in Contributions %		10%	4%	8%	4%	7%
Closing Balance	\$8,002,000	\$8,025,000	\$8,050,000	\$8,076,000	\$8,103,000	\$8,132,000

Figure 28

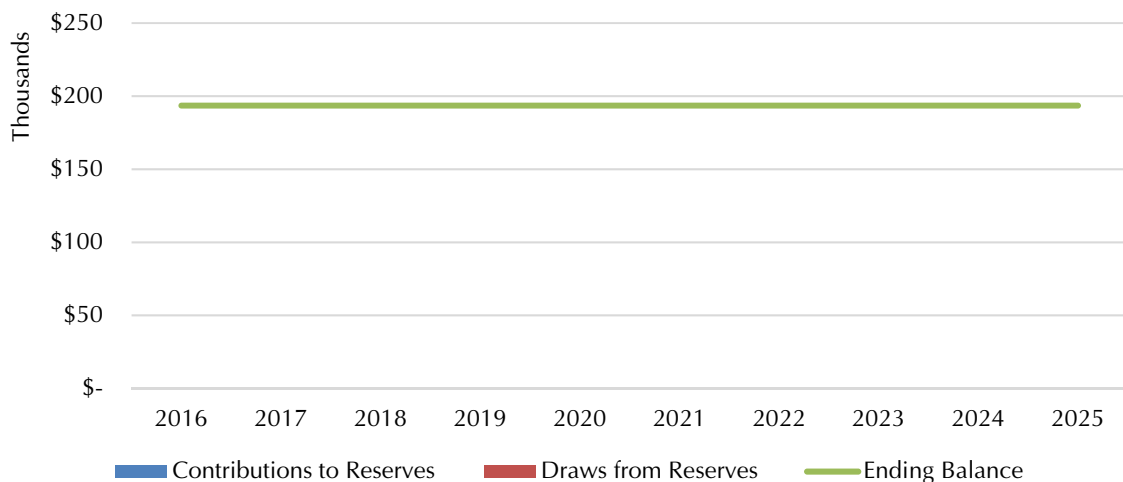
Other Reserves (No Interest Earned)		
Purpose	Current	- FCSS Canada Assistance Plan reserve to help offset the cost of homecare - Transportation Assistance reserve to fund the Special Transportation Services Society (STSS)
	Proposed	Maintain current practice, with annual reviews and adjustments as needed.
Source of Funds	Current	- FCSS Canada Assistance Plan reserve funds from Federal Canada Assistance Plan grant; no future revenue anticipated - Transportation Assistance reserve contributions are made annually from STSS's operating surplus and donations
	Proposed	Same as current
Use of Funds	Current	- FCSS Canada Assistance Plan reserve to help offset homecare for senior citizens, the disabled, handicapped, etc.; funding can be used for any social project - Transportation Assistance reserve to help fund operating and capital needs of the STSS
	Proposed	Same as current
Ceiling/Floor	Current	No formal policy
	Proposed	Contributions designed to fund forecasted projects
Duration		Ongoing

Reserve Summary

	<i>Current Budget</i>	<i>5-Year Forecast</i>				
	2016	2017	2018	2019	2020	2021
Opening Balance	\$194,000	\$194,000	\$194,000	\$194,000	\$194,000	\$194,000
Contributions	\$0	\$0	\$0	\$0	\$0	\$0
Change in Contributions \$		\$0	\$0	\$0	\$0	\$0
Change in Contributions %		N/A	N/A	N/A	N/A	N/A
Closing Balance	\$194,000	\$194,000	\$194,000	\$194,000	\$194,000	\$194,000

Figure 29

City of Fort Saskatchewan Reserve Forecast – Other Reserves (No Interest Earned)

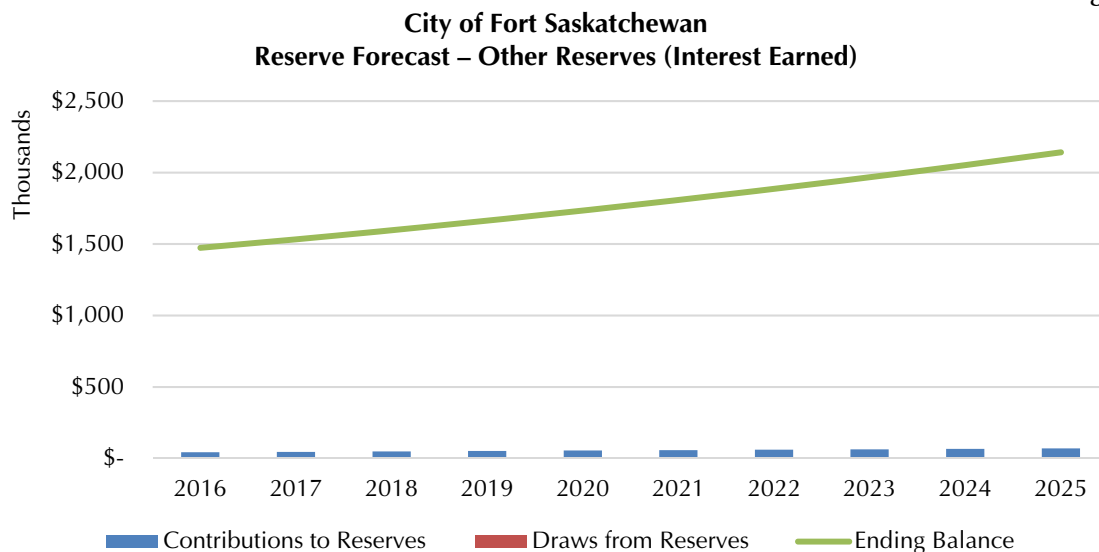


Other Reserves (Interest Earned)		
Purpose	Current	• Parks reserve established prior to 1979 to set aside funds for future parks • D.A.R.E reserve established to manage funds for the D.A.R.E program on behalf of the RCMP • Perpetual Care reserve for cemetery maintenance
	Proposed	• Maintain current practice, with annual reviews and adjustments as needed.
Source of Funds	Current	• Parks reserve funds transferred from payments from development in lieu of providing park space in accordance with the <i>Planning Act</i> and <i>Municipal Government Act</i> • D.A.R.E reserve funds from community donations and annual D.A.R.E program surplus • Perpetual Care reserve funds from 25% of the regular plot revenue, 100% monument foundation fees, and 100% of the columbarium niche fees
	Proposed	• Same as current
Use of Funds	Current	• Parks reserve for development of future parks • D.A.R.E reserve to manage funds for the D.A.R.E program • Perpetual Care reserve for cemetery maintenance and capital costs as required
	Proposed	• Same as current
Ceiling/Floor	Current	• No formal policy
	Proposed	• Contributions designed to fund forecasted projects
Duration		• Ongoing

Reserve Summary

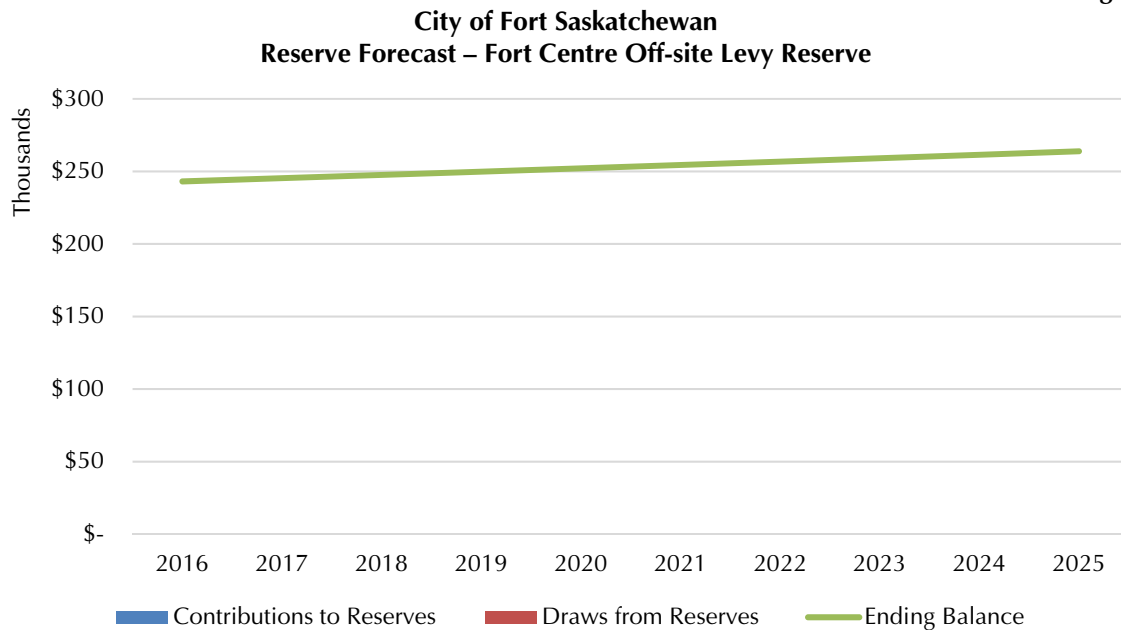
	Current Budget	5-Year Forecast				
	2016	2017	2018	2019	2020	2021
Opening Balance	\$1,417,000	\$1,473,000	\$1,533,000	\$1,597,000	\$1,664,000	\$1,735,000
Contributions	\$43,000	\$46,000	\$49,000	\$52,000	\$55,000	\$58,000
Change in Contributions \$		\$3,000	\$3,000	\$3,000	\$3,000	\$3,000
Change in Contributions %		7%	7%	6%	6%	5%
Closing Balance	\$1,473,000	\$1,533,000	\$1,597,000	\$1,664,000	\$1,735,000	\$1,809,000

Figure 30



Fort Centre Off-site Levy Reserve						
Purpose	Current	• Off-site levies from development in the Fort Centre area to assist in financing the City's infrastructure related to growth and development				
	Proposed	• No longer active				
Source of Funds	Current	• Contributions from developer levies which vary from year-to-year based on the community's development demand, as per the <i>Municipal Government Act</i> • City enters into developer agreements which establish levy payments and specific projects to be completed				
	Proposed	N/A				
Use of Funds	Current	• Future expansion of the City's water, sanitary sewer and storm sewer facilities as well as arterial roadways				
	Proposed	N/A				
Ceiling/Floor	Current	• Developer contributions are on a uniform, per-hectare basis				
	Proposed	N/A				
Duration		• No longer active				
Reserve Summary						
	Current Budget		5-Year Forecast			
	2016	2017	2018	2019	2020	2021
Opening Balance	\$241,000	\$243,000	\$245,000	\$248,000	\$250,000	\$252,000
Contributions	\$0	\$0	\$0	\$0	\$0	\$0
Change in Contributions \$		\$0	\$0	\$0	\$0	\$0
Change in Contributions %		N/A	N/A	N/A	N/A	N/A
Closing Balance	\$243,000	\$245,000	\$248,000	\$250,000	\$252,000	\$254,000

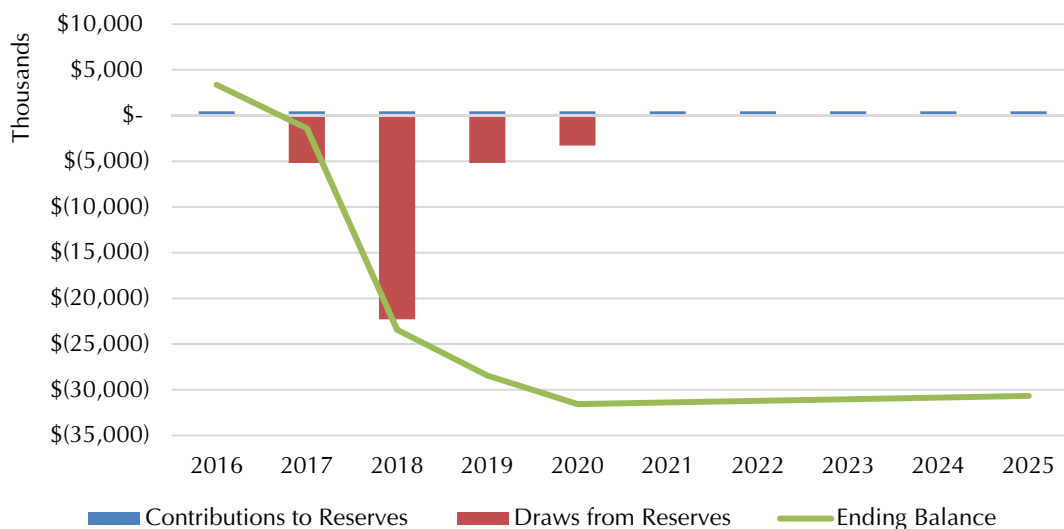
Figure 31



Medium Industrial Off-site Levy Reserve		
Purpose	Current	Off-site levies from Medium Industrial development to assist in financing the City's infrastructure related to growth and development
	Proposed	Maintain current practice
Source of Funds	Current	- Contributions from developer levies which vary from year-to-year based on the community's development demand, as per the <i>Municipal Government Act</i> - City enters into developer agreements which establish levy payments and specific projects to be completed
	Proposed	Same as current
Use of Funds	Current	Future expansion of the City's water, sanitary sewer and storm sewer facilities as well as arterial roadways
	Proposed	Same as current
Ceiling/Floor	Current	Developer contributions are on a uniform, per-hectare basis
	Proposed	Same as current
Duration		To remain active until build-out of the existing Medium Industrial Off-site Levy lands

Reserve Summary						
	Current Budget	5-Year Forecast				
	2016	2017	2018	2019	2020	2021
Opening Balance	\$2,866,000	\$3,357,000	-\$1,395,000	-\$23,447,000	-\$28,444,000	-\$31,570,000
Contributions	\$461,000	\$461,000	\$461,000	\$461,000	\$461,000	\$461,000
Change in Contributions \$		\$0	\$0	\$0	\$0	\$0
Change in Contributions %		0%	0%	0%	0%	0%
Closing Balance	\$3,357,000	-\$1,395,000	-\$23,447,000	-\$28,444,000	-\$31,570,000	-\$31,394,000

Figure 32
City of Fort Saskatchewan
Reserve Forecast – Medium Industrial Off-site Levy Reserve

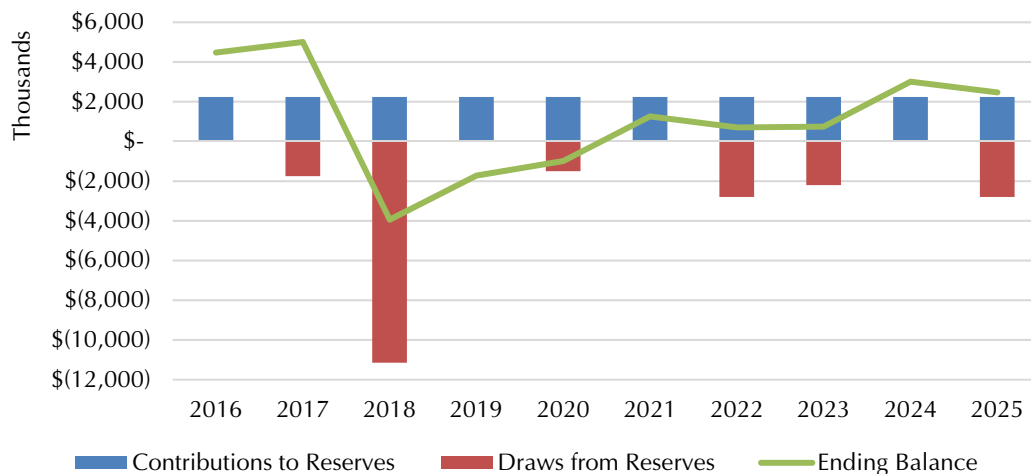


Southfort Off-site Levy Reserve		
Purpose	Current	Off-site levies from development in the Southfort area to assist in financing the City's infrastructure related to growth and development
	Proposed	Maintain current practice
Source of Funds	Current	- Contributions from developer levies which vary from year-to-year based on the community's development demand, as per the <i>Municipal Government Act</i> - City enters into developer agreements which establish levy payments and specific projects to be completed
	Proposed	Same as current
Use of Funds	Current	Future expansion of the City's water, sanitary sewer and storm sewer facilities as well as arterial roadways
	Proposed	Same as current
Ceiling/Floor	Current	Developer contributions are on a uniform, per-hectare basis
	Proposed	Same as current
Duration		To remain active until build-out of the existing Medium Industrial Off-site Levy lands

Reserve Summary

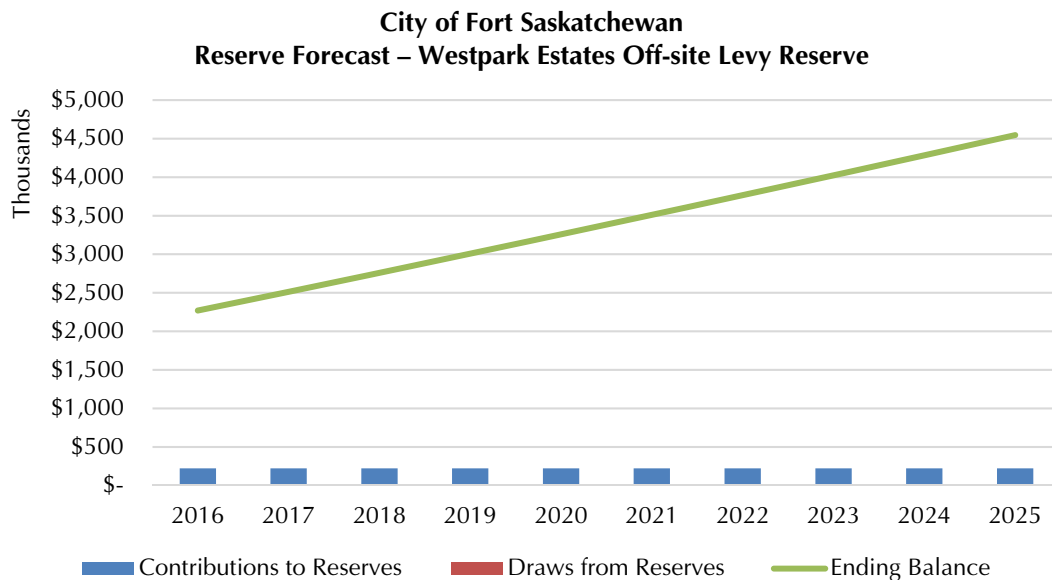
	Current Budget	5-Year Forecast				
	2016	2017	2018	2019	2020	2021
Opening Balance	\$2,200,000	\$4,478,000	\$5,010,000	-\$3,939,000	-\$1,717,000	-\$990,000
Contributions	\$2,237,000	\$2,237,000	\$2,237,000	\$2,237,000	\$2,237,000	\$2,237,000
Change in Contributions \$		\$0	\$0	\$0	\$0	\$0
Change in Contributions %		0%	0%	0%	0%	0%
Closing Balance	\$4,478,000	\$5,010,000	-\$3,939,000	-\$1,717,000	-\$990,000	\$1,259,000

Figure 33
City of Fort Saskatchewan
Reserve Forecast – Southfort Off-site Levy Reserve



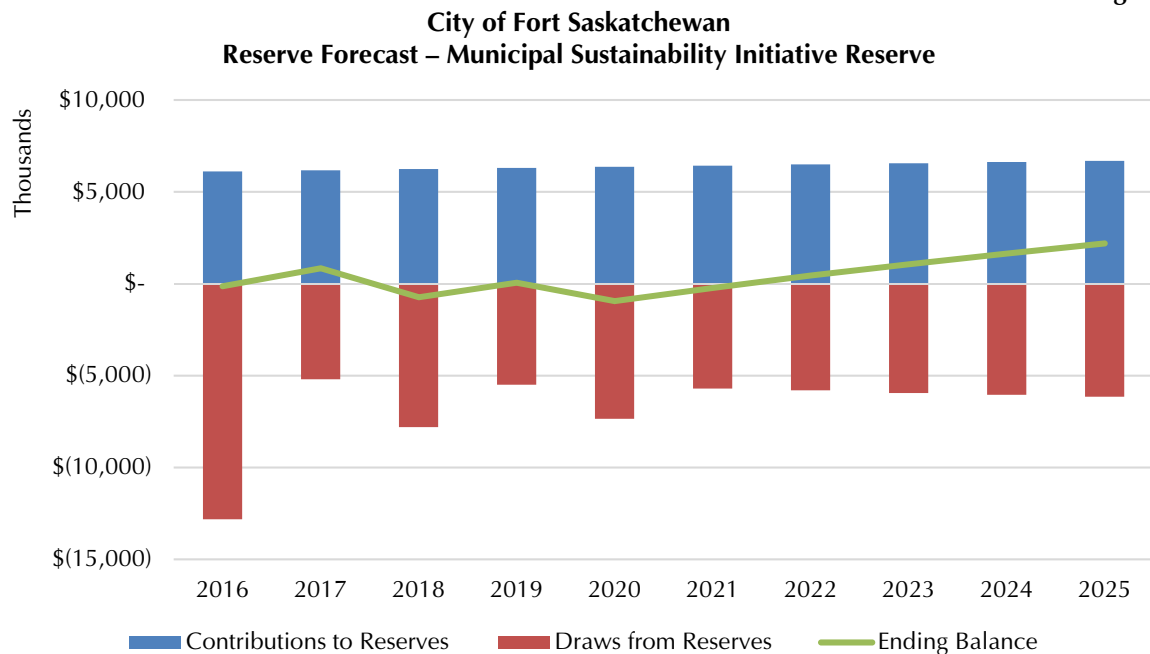
Westpark Estates Off-site Levy Reserve						
Purpose	Current	• Off-site levies from development in the Westpark Estates area to assist in financing the City’s infrastructure related to growth and development				
	Proposed	• Maintain current practice				
Source of Funds	Current	• Contributions from developer levies which vary from year-to-year based on the community’s development demand, as per the <i>Municipal Government Act</i> • City enters into developer agreements which establish levy payments and specific projects to be completed				
	Proposed	• Same as current				
Use of Funds	Current	• Future expansion of the City’s water, sanitary sewer and storm sewer facilities as well as arterial roadways				
	Proposed	• Same as current				
Ceiling/Floor	Current	• Developer contributions are on a uniform, per-hectare basis				
	Proposed	• Same as current				
Duration		• To remain active until build-out of the existing Medium Industrial Off-site Levy lands				
Reserve Summary						
	<i>Current Budget</i>	5-Year Forecast				
	2016	2017	2018	2019	2020	2021
Opening Balance	\$2,028,000	\$2,270,000	\$2,514,000	\$2,760,000	\$3,008,000	\$3,259,000
Contributions	\$221,000	\$221,000	\$221,000	\$221,000	\$221,000	\$221,000
Change in Contributions \$		\$0	\$0	\$0	\$0	\$0
Change in Contributions %		0%	0%	0%	0%	0%
Closing Balance	\$2,270,000	\$2,514,000	\$2,760,000	\$3,008,000	\$3,259,000	\$3,511,000

Figure 34



Municipal Sustainability Initiative Reserve		
Purpose	Current	Provincial grant funding to support local infrastructure projects
	Proposed	Maintain current purpose
Source of Funds	Current	Province of Alberta's Municipal Sustainability Initiative
	Proposed	Same as current
Use of Funds	Current	Funds may be used for a range of local capital projects as well as capacity building activities that improve efficiency or effectiveness, municipal services, planning activities, and assistance to non-profit organizations
	Proposed	Same as current
Ceiling/Floor	Current	As per Provincial contributions
	Proposed	Same as current
Duration		Ongoing

Reserve Summary						
	<i>Current Budget</i>	5-Year Forecast				
	2016	2017	2018	2019	2020	2021
Opening Balance	\$6,572,000	-\$139,000	\$837,000	-\$739,000	\$55,000	-\$948,000
Contributions	\$6,112,000	\$6,173,000	\$6,234,000	\$6,297,000	\$6,360,000	\$6,423,000
Change in Contributions \$		\$61,000	\$61,000	\$63,000	\$63,000	\$63,000
Change in Contributions %		1%	1%	1%	1%	1%
Closing Balance	-\$139,000	\$837,000	-\$739,000	\$55,000	-\$948,000	-\$232,000

Figure 35

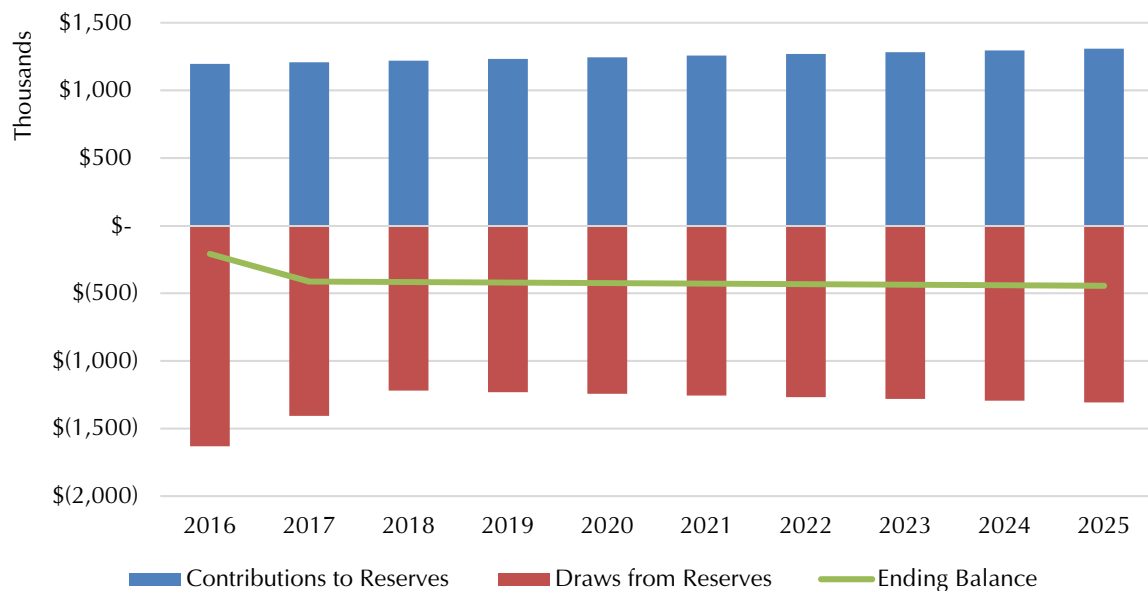
Federal Gas Tax Fund Reserve		
Purpose	Current	• Federal grant funding to support local infrastructure projects
	Proposed	• Maintain current purpose
Source of Funds	Current	• Federal Gas Tax Fund
	Proposed	• Same as current
Use of Funds	Current	• Funds may be used for a range of local capital projects including transit and road infrastructure; water, wastewater, and solid waste infrastructure; community energy systems; capacity building; short-line rail; disaster mitigation; broadband and connectivity; brownfield redevelopment; culture; tourism; sport; and recreation
	Proposed	• Same as current
Ceiling/Floor	Current	• As per Federal contributions
	Proposed	• Same as current
Duration		• Ongoing

Reserve Summary

	<i>Current Budget</i>	5-Year Forecast				
	2016	2017	2018	2019	2020	2021
Opening Balance	\$228,000	-\$209,000	-\$413,000	-\$417,000	-\$421,000	-\$425,000
Contributions	\$1,196,000	\$1,208,000	\$1,220,000	\$1,232,000	\$1,244,000	\$1,257,000
Change in Contributions \$		\$12,000	\$12,000	\$12,000	\$12,000	\$13,000
Change in Contributions %		1%	1%	1%	1%	1%
Closing Balance	-\$209,000	-\$413,000	-\$417,000	-\$421,000	-\$425,000	-\$429,000

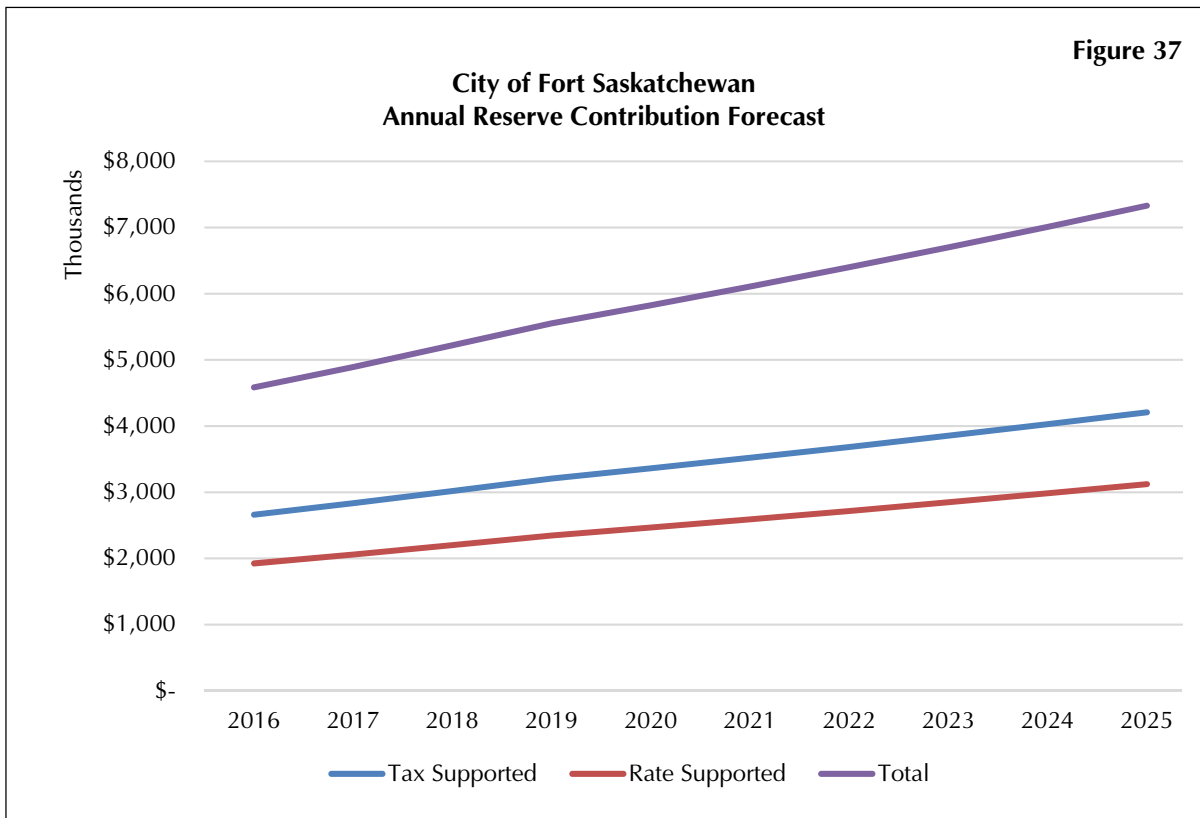
Figure 36

City of Fort Saskatchewan Reserve Forecast – Federal Gas Tax Fund Reserve



3. Summary of Reserve Contributions

Excluding grants and off-site levies, total annual reserve contributions are forecasted to increase from \$4.6 million in 2016 to \$11.1 million in 2035. The average annual contribution increase over this 20-year period is forecasted to be 4.8%.



APPENDIX A.2

DEBT MANAGEMENT FISCAL POLICY

A.2 DEBT MANAGEMENT FISCAL POLICY

1. BACKGROUND

The City of Fort Saskatchewan used approximately 44% of its Provincial Debt Limit in 2015 and it is estimated that this amount will decrease slightly to 43% in 2016.

City of Fort Saskatchewan 2016 Debt Limit Calculations			Table 3
	Budget 2015	Budget 2016	
A) Total Debt Provision - Provincial			
Total Debt Limit	\$103,589,000	\$107,215,000	
Total Debt	<u>\$45,231,000</u>	<u>\$46,406,000</u>	
Debt Available	\$58,358,000	\$60,809,000	
% of Debt Limit Used	43.66%	43.28%	
B) Debt Service Provision - Provincial			
Allowable Limit	\$17,265,000	\$17,869,000	
Annual Debt Payments	<u>\$4,215,000</u>	<u>\$4,345,000</u>	
Available Annual	\$13,050,000	\$13,524,000	
% of Debt Limit Used	24.41%	24.32%	
Source: 2016 Budget			

As shown in Table 4, when compared to other Alberta cities, Fort Saskatchewan has slightly more total debt issued and slightly lower servicing costs measured against the provincial limits.

Table 4 Comparison of Alberta Cities 2015 Debt Limit Calculations		
Municipality	% of Total Debt Limit	% of Debt Service Limit
Airdrie	30%	23%
Brooks	50%	49%
Calgary	45%	42%
Camrose	24%	18%
Cold Lake	33%	17%
Edmonton	54%	29%
Grande Prairie	53%	32%
Lacombe	14%	28%
Leduc	41%	25%
Lethbridge	18%	16%
Lloydminster	29%	10%
Medicine Hat	40%	28%
Red Deer	47%	33%
Spruce Grove	9%	8%
St. Albert	17%	13%
Wetaskiwin	64%	34%
Fort Saskatchewan	40%	24%
Average	35%	25%

The LTFSP analysis indicates the City's debt servicing costs will increase in 2017 and then stabilize.

2. PURPOSE

Establish financial guidelines and appropriate controls for the issuance and use of new debt and to ensure a favourable financial position while supporting the City's ability to meet current and future capital expenditure needs and challenges.

3. POLICY

- 3.1 When utilized appropriately, debt is recognized as an affordable source of funding and an important tool in establishing a long-term financial sustainability plan.

- 3.2 The City currently utilizes debt as part of financing its capital expenditures to address growth pressures and aging infrastructure, and the debt is integrated in the City's long-term financing plans and strategies.
- 3.3 Utilizing debt must be done with due consideration of affordability while maintaining fiscal flexibility to respond to future financial challenges and opportunities.
- 3.4 Debt must be structured in a way that is both fair and equitable to those that pay and benefit from the underlying assets; with consideration of inter-generational benefits. The City will continue its practice of matching long-term debt to capital improvements that have a long-term benefit to the community.
- 3.5 The timing, type and term of debt will be determined with a view of minimizing long-term costs.
- 3.6 The term of the debt will be limited to the useful life of the particular asset, but not be less than 5 years or more than 30 years.

4. FINANCIAL GUIDELINES

4.1 Use of Debt

- 4.1.1 The City will only issue debt to finance capital expenditures and will not use debt to fund operational needs.
- 4.1.2 The use of debt will be done with the full consideration of alternative capital funding strategies and in the context of the City's long-term financial sustainability plan.
- 4.1.3 Short-Term use of debt is limited to the following:
 - 4.1.3.1 Interim financing for capital expenditures; or
 - 4.1.3.2 Management of short-term cash flow requirements such as bridge financing for capital projects
- 4.1.4 Long-Term Debt will be considered for capital expenditures for:
 - 4.1.4.1 Purchase or construction of capital assets with long useful lives that provide long-term benefits;
 - 4.1.4.2 Projects that provide community-wide benefits;

- 4.1.4.3 Growth-related projects;
- 4.1.4.4 Emerging needs to support corporate priorities; and
- 4.1.4.5 Major rehabilitation of existing assets as a short-term strategy to address significant backlogs or emergency situations.

4.2 Debt Approval

- 4.2.1 A multi-year debt guideline, corresponding debt servicing schedule and fund strategy will be maintained and consistent with the City's various long-term plans and master servicing plans (i.e. Recreation Facility and Parks Master Plan, Fire Department Strategic Plan, Transit Plan, and Municipal Development Plan).
- 4.2.2 Capital projects for debt financing will be considered and approved as part of the City's budget process.
 - 4.2.2.1 The City will budget for the first debt servicing payment in the same year that the debt is approved.
- 4.2.3 New debt issuances will identify sources of funding and debt repayment.
 - 4.2.3.1 When appropriate, the beneficiaries of a project or service will pay for it, generally consistent with:
 - 4.2.3.1.1 Growth-related projects will be funded by direct developer contributions and off-site levies to the extent permitted under legislation.
 - 4.2.3.1.2 Projects of a general function of government will be paid for with general tax revenues.
 - 4.2.3.1.3 Water and sewer related projects to be financed from utility rates.

4.3 Debt Limitations and Management

- 4.3.1 All issuance of debt requires an authorized by-law.
- 4.3.2 The ceiling for borrowing purposes and the target for debt reduction is 75% of the debt limit established by Provincial regulations through the *Municipal Government Act*. Provincial debt limits for total debt:
 - 4.3.2.1 Total debt as a percentage of the debt limit: 1.5 times the annual operating revenue.

4.3.2.2 Total debt service limit: 25% of the annual operating revenue.

4.3.2.2.1 Debt service limit for property tax supported debt: 15%

4.3.2.2.2 Debt service limit for utility rate supported debt: 25%

4.4 Structural Features of Debt & Administration

4.4.1 Unless more advantageous interest rates can be obtained elsewhere, the City will obtain capital financing funds through the sale of debentures to the Alberta Capital Financing Authority.

4.4.2 The City will limit funding through long-term debt to capital projects which have a life expectancy greater than five years.

4.4.3 The City will not fund the purchase of vehicles and small equipment, computer hardware and software through long-term debt even though their life expectancy is greater than five years. This excludes heavy equipment such as graders and emergency equipment such as fire trucks and ambulances.

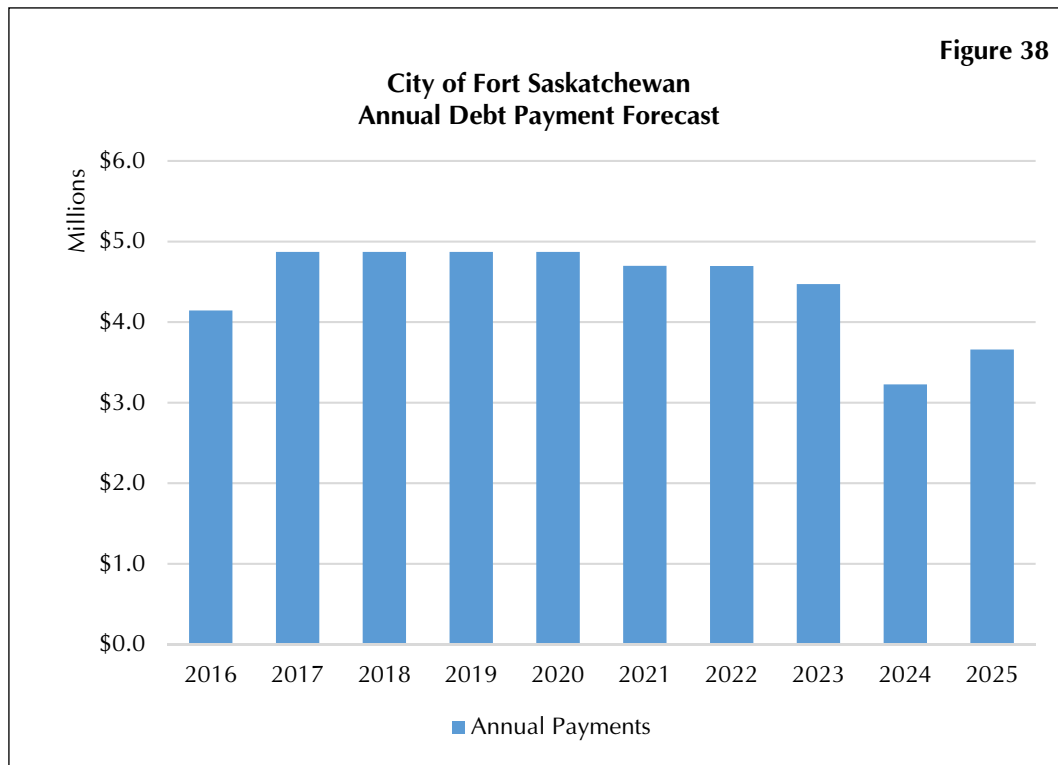
4.4.4 Where possible, the term of a long-term debt issuance will not exceed 75% of the useful life of the asset acquired. Furthermore, the repayment of principal on tax supported debt should generally not extend beyond 20 years unless there are compelling factors which make it necessary to extend the 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 asset in which other financial policies such as capital reserve allocations can be initiated.

4.4.5 When a debenture is fully paid and retired, the City when fiscally viable, should continue with the practice of maintaining an equivalent payment into a capital reserve. This approach protects or utilizes the “tax room” created in the tax or utility rate, for utilization of other capital needs including reserve provision for long-term assessment management.

4.4.6 It shall be the responsibility of the Finance Director, within the context of the Capital Plan, to oversee and coordinate the timing and process of issuance of the City’s borrowing requirements in support of the plan.

5. FORECAST RESULTS

The LTFSP model that has been developed as part of this study is designed to analyze alternative expenditure and revenue scenarios, based on an extensive set of assumptions and inputs. One of the key outputs of the model is a forecast of annual debt payments. The analysis shows increased debt payments in 2017 (new fire station), and again in 2025 (JRC retrofit and expansion). However, the annual debt payments are always well below the Provincial debt limits. It is noted that additional long-term debt needs may be identified within the 10 year planning horizon. The following is a summary output generated by the current model configuration.



APPENDIX A.3

FORECAST MODEL RESULTS

A.3 FORECAST MODEL RESULTS

The LTFSP model that has been developed as part of this study is designed to analyze alternative expenditure and revenue scenarios based on an extensive set of assumptions and inputs, providing forecast net levy needs and assessment yielding calculated mill rates. The following summary is generated by the current model configuration.

	2016	2017	2018	2019	2020	2021
Levy Requirement						
Expenditures	\$ 46,933,111	\$ 51,401,583	\$ 55,629,883	\$ 60,136,532	\$ 64,165,731	\$ 68,397,760
Long Term Debt	\$ 3,556,777	\$ 4,190,505	\$ 4,190,505	\$ 4,190,505	\$ 4,190,505	\$ 4,190,505
Transfers To	\$ 6,690,785	\$ 2,833,713	\$ 3,019,374	\$ 3,205,778	\$ 3,360,552	\$ 3,520,056
Non-Tax Revenue	\$ (11,266,357)	\$ (12,013,955)	\$ (12,810,376)	\$ (13,608,840)	\$ (14,286,628)	\$ (14,985,293)
Utility Rate Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers From	\$ (3,235,894)	\$ -	\$ -	\$ -	\$ -	\$ -
Total Levy Requirement	\$ 42,678,422	\$ 46,411,845	\$ 50,029,386	\$ 53,923,975	\$ 57,430,159	\$ 61,123,028
Assessment						
Unweighted Assessment						
Residential	\$ 3,515,545,360	\$ 3,743,965,889	\$ 3,967,863,243	\$ 4,193,322,057	\$ 4,345,388,255	\$ 4,498,625,566
Non-Residential	\$ 1,278,838,220	\$ 1,358,179,020	\$ 1,437,519,820	\$ 1,516,860,620	\$ 1,596,201,420	\$ 1,675,542,220
Machinery and Equipment	\$ 1,321,052,590	\$ 1,403,012,425	\$ 1,484,972,260	\$ 1,566,932,095	\$ 1,648,891,929	\$ 1,730,851,764
Total Assessment	\$ 6,115,436,170	\$ 6,505,157,334	\$ 6,890,355,322	\$ 7,277,114,771	\$ 7,590,481,604	\$ 7,905,019,550
Tax Ratios						
Residential	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000
Non-Residential	1.999533	1.999533	1.999533	1.999533	1.999533	1.999533
Machinery and Equipment	1.999533	1.999533	1.999533	1.999533	1.999533	1.999533
Weighted Assessment (Base Year \$)						
Residential	\$ 3,515,545,360	\$ 3,743,965,889	\$ 3,967,863,243	\$ 4,193,322,057	\$ 4,345,388,255	\$ 4,498,625,566
Non-Residential	\$ 2,557,079,623	\$ 2,715,724,196	\$ 2,874,368,769	\$ 3,033,013,342	\$ 3,191,657,914	\$ 3,350,302,487
Machinery and Equipment	\$ 2,641,488,663	\$ 2,805,370,083	\$ 2,969,251,503	\$ 3,133,132,923	\$ 3,297,014,343	\$ 3,460,895,763
Total Weighted Assessment	\$ 8,714,113,646	\$ 9,265,060,168	\$ 9,811,483,514	\$ 10,359,468,321	\$ 10,834,060,512	\$ 11,309,823,816
Res Ratio	40%	40%	40%	40%	40%	40%
Non-Res + M&E Ratio	60%	60%	60%	60%	60%	60%
Calculated Tax Rate						
Residential	0.004761	0.004881	0.004978	0.005090	0.005191	0.005299
Non-Residential	0.009520	0.009759	0.009953	0.010178	0.010379	0.010596
Machinery and Equipment	0.009520	0.009759	0.009953	0.010178	0.010379	0.010596
Property Taxes on a Typical Household						
\$ 1,803	\$ 1,852	\$ 1,892	\$ 1,938	\$ 1,979	\$ 2,022	
Change (\$)	\$ 49	\$ 40	\$ 46	\$ 40	\$ 43	
Change (%)	2.72%	2.16%	2.42%	2.08%	2.18%	

APPENDIX A.4

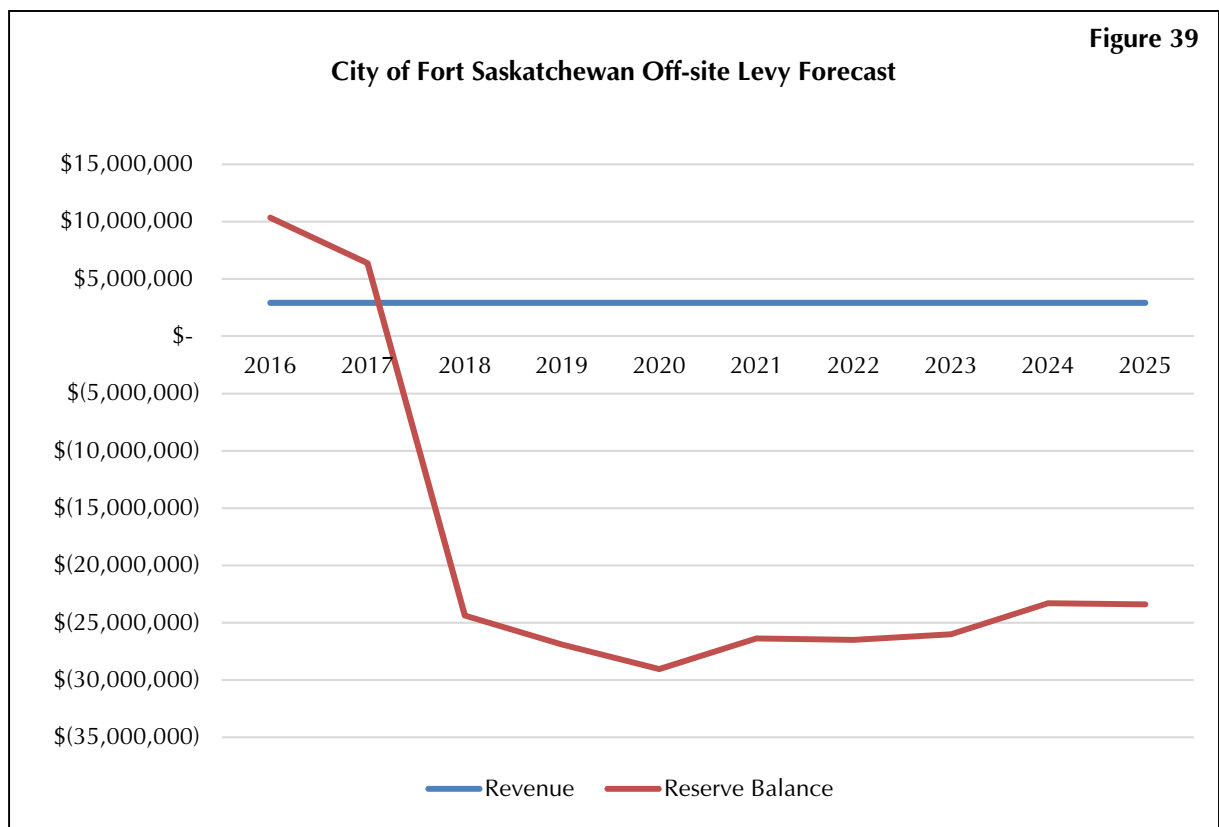
OFF-SITE LEVY

A.4 OFF-SITE LEVY

1. BACKGROUND

The City of Fort Saskatchewan has a well established off-site levy history, policy and practice. In Fort Saskatchewan, off-site levies are applied on a uniform per-hectare basis to all developable land within the Southfort, Westpark, and Light/Medium Industrial areas. The levies are used to fund capital costs associated with future expansion of the City's water, sanitary sewer, storm sewer, and arterial roadway facilities to serve these areas, as detailed within the City's Off-site Levy By-law No. C1-14, Schedules B through D. Off-site levy rates range from \$68,568/ha to \$161,209/ha.

The following is a summary of the forecast total off-site levy annual revenues and reserve balance.



2. PURPOSE

Establish guidelines and approaches to ensure that off-site levies are set at the fully permissible level, policies are established to enhance the fiscal capacity of the municipality and that infrastructure is provided in a timely manner to ensure an adequate level of serviced lands for a variety of land uses.

3. POLICY

Continue to impose maximum permissible off-site levies within the Southfort, Westpark and Light/Medium Industrial Development Areas.

Enhance off-site levy policies to assist in developer front-end financing of growth-related infrastructure.

Ensure linkages between the off-site levy bylaw and the City's other infrastructure planning and financing reports and policies, and land-use planning reports and policies.

Work with other municipalities and associations to request the Province review off-site levy legislation and expand the scope of services fundable.

4. APPROACH

The City of Fort Saskatchewan has a well established off-site levy practice. The intent of the following approach is to reinforce and build upon the existing practices.

4.1 Continue to Establish Maximum Permissible Off-Site Levies

- 4.1.1 Ensure the capital forecasts considered within all off-site levy calculations are adhered to through the capital budget process.
- 4.1.2 Undertake an annual review of the off-site levy calculations to ensure projects and costs are reflective of current plans and cost estimates or tenders.
- 4.1.3 If mid-year tenders or actual project costs differ significantly from those contained in the off-site levy calculations, consider interim adjustments to the off-site levy calculations.
- 4.1.4 Consider expanding upon the current Off-Site Levy Bylaw beyond the Southfort, Westpark, and Light/Medium Industrial areas to account for the costs of new growth-related infrastructure.

4.2 Enhance Off-Site Levy Policies to Assist in Front-End Financing

- 4.2.1 Include all financing costs (short-term and long-term, internally and debt financed) into the off-site levy calculations.
- 4.2.2 Include cash flow of off-site levy calculations and monitor on an ongoing basis, making adjustments as required.
- 4.2.3 Establish policies and tools to work with the development industry in sharing the risk and burden of up-front financing of growth-related infrastructure, including:
 - 4.2.3.1 Prepayment agreements;
 - 4.2.3.2 Front-end financing agreements;
 - 4.2.3.3 Credit agreements;
 - 4.2.3.4 Developer cost sharing agreements; and
 - 4.2.3.5 Reserve borrowing or pooling.

4.3 Linkages Between the Off-site Levy Bylaw and the City's Other Financial and Planning Documents

- 4.3.1 Ensure off-site levies are used for the purpose for which they are collected and are fully identified in the capital budgeting process.
- 4.3.2 Ensure the City's master servicing plans and studies are accurately reflected in the off-site levy calculations, with appropriate adjustments for tenders and actual cost data.
- 4.3.3 Measure, on an ongoing basis, associated capital service levels to ensure adequate levels are maintained and targets/goals are being achieved.
- 4.3.4 Create linkages between the assets added through the off-site levy funding and the City's overall tangible capital asset inventories.

4.4 Request the Province Review Off-site Levy Legislation to Expand the Scope of Service Fundable

- 4.4.1 The Alberta Provincial legislation governing the use of off-site levies is one of the more restrictive, in terms of services eligible for funding in the country.
 - 4.4.1.1 Ontario and British Columbia allow for a broad range of growth-related capital infrastructure to be funded by developer levies beyond engineered services (roads, sewer, water, stormwater) including parks, childcare and housing (BC and Ontario) and recreation, transit, protection services, etc. (Ontario).

4.4.1.2 Saskatchewan allows for recovery of engineered services for recreation and parks.

4.4.1.3 The following table provides an overview summary of Provincial legislation.

4.4.2 The City of Fort Saskatchewan should consider working with other Alberta municipalities and associations to request the Provincial government review the governing legislation with the objective of increasing the scope of services and growth-related infrastructure needs that can be funded from off-site levies.

Spectrum of Services in Development Levies						Table 5
	British Columbia	Alberta	Saskatchewan	Manitoba	Ontario	Nova Scotia
Water	*	*	*		*	*
Sewer	*	*	*		*	*
Drainage	*	*	*	*	*	*
Roads	*	*	*	*	*	*
Recreation			*		*	
Parks	*		*		*	
Transit					*	*
Police & Fire					*	
Library					*	
Childcare	*				*	
Housing	*				*	

APPENDIX A.5

ASSESSMENT COMPOSITION

A.5 ASSESSMENT COMPOSITION

1. BACKGROUND

It is widely recognized that the composition of a municipality's assessment base is an indicator of the fiscal capacity of the municipality to manage financial requirements and needs. In this context, assessment composition means the relationship of residential assessment to non-residential assessment. In Fort Saskatchewan, as with virtually all municipalities in Canada, non-residential assessment generates more property tax dollars per dollar of assessed value as compared to most residential land uses, and typically places a lower demand on municipal property tax supported services. Generally, municipalities with relatively higher shares of non-residential assessment have greater fiscal capacity.

Historically, the City of Fort Saskatchewan has had a very high share of non-residential (including machinery and equipment) assessment as compared to other municipalities in the province. The current 2016 share of residential: non-residential assessment in the City of Fort Saskatchewan is 59:41 (unweighted) which is the highest of any city, using the equalized Provincial methodology. The LTFSP model indicates a 57:43 ratio.

Comparison of 2016 Equalized Assessment Composition In Alberta Cities				
Municipality	Residential and Farm Assessment (\$M)	Non-Res., M&E, Linear & Rail Assessment (\$M)	Total Assessment	Non- Residential Share
Airdrie	\$8,131	\$1,524	\$9,655	16%
Brooks	\$1,065	\$362	\$1,427	25%
Calgary	\$209,415	\$73,451	\$282,867	26%
Camrose	\$2,010	\$668	\$2,678	25%
Cold Lake	\$2,250	\$626	\$2,876	22%
Edmonton	\$120,380	\$42,121	\$162,501	26%
Grande Prairie	\$6,688	\$2,858	\$9,546	30%
Lacombe	\$1,394	\$243	\$1,636	15%
Leduc	\$3,820	\$1,734	\$5,555	31%
Lethbridge	\$9,460	\$2,636	\$12,097	22%
Lloydminster	\$2,416	\$1,038	\$3,454	30%
Medicine Hat	\$6,570	\$2,029	\$8,599	24%
Red Deer	\$12,006	\$3,886	\$15,892	24%
Spruce Grove	\$4,328	\$920	\$5,248	18%
St. Albert	\$9,944	\$1,593	\$11,538	14%
Wetaskiwin	\$996	\$274	\$1,270	22%
Fort Saskatchewan	\$3,366	\$2,337	\$5,703	41%
Average				24%

2. PURPOSE

Establish guidelines and approaches to maintain the fiscal capacity and sustainability of the City by maintaining a relatively high proportion of non-residential to residential assessment.

3. POLICY

- 3.1 Maintain a high proportion of non-residential assessment growth to residential growth. The non-residential share of assessment should be targeted at a minimum of 40 per cent over the long-term.

4. APPROACH

4.1 Maintain a High Share of Non-Residential Development

- 4.1.1 The City will work to maintain and/or improve upon its existing proportion of non-residential assessment development.
 - 4.1.1.1 Ensure there are adequate land use designations, locations and regulations in place to accommodate a wide-range of non-residential land uses.
 - 4.1.1.2 Review the City's existing vacant and designated non-residential land supply to ensure there is adequate lands for industrial and employment land uses.
 - 4.1.1.2.1 In particular, ensure there is an ample supply of large lots available to accommodate significant industrial and employment land uses.
 - 4.1.1.2.2 Ensure that vacant lands, especially large vacant parcels, are well located to existing transportation infrastructure and have existing municipal servicing (water and sewer).
 - 4.1.1.2.3 Establish long-term industrial and employment lands needs and servicing strategies.

4.2 Retain Existing Businesses

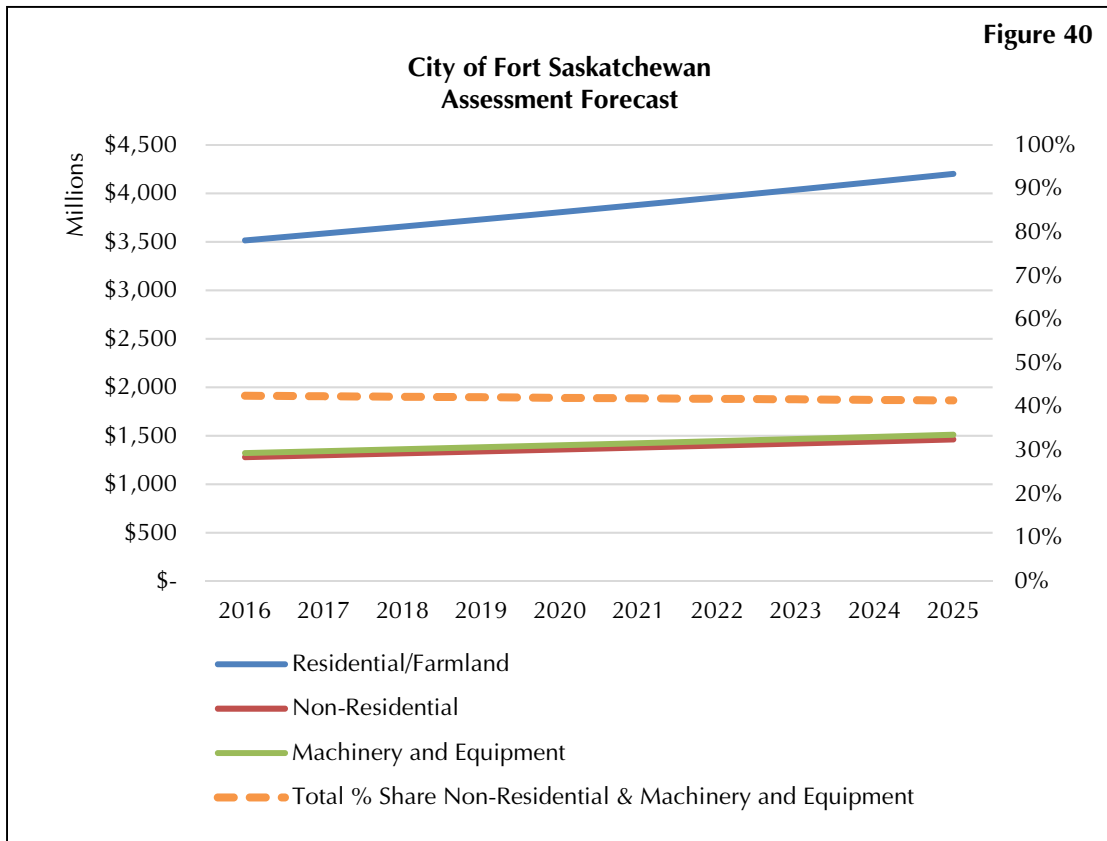
- 4.2.1 Continue to work with existing business and related associations to support and encourage the expansion of existing non-residential businesses.
- 4.2.2 Work with local business stakeholders to identify any potential barriers to business activity and to collaborate on developing strategies and solutions to support local economic development.
- 4.2.3 Continue to work towards implementation of the key directions resulting from the City of Fort Saskatchewan's 2015 Retail Market & Gap Analysis.
- 4.2.4 Continue to move forward with the City of Fort Saskatchewan's Business Development Plan to support local small businesses.

4.3 Planning & Fiscal Impact of Development Analysis

- 4.3.1 Incorporate the objective of maintaining a high level of non-residential development activity into all planning studies.
- 4.3.2 Maximize opportunities to provide serviced lands that are well located, especially related to existing transportation infrastructure, for industrial and employment land uses.
- 4.3.3 Use fiscal impact of development analysis at macro level (Growth Study and Municipal Development Plan) and a micro level (individual applications) to measure the impact on maintaining the City's long-term assessment ratio target.

5. FORECAST RESULTS

The LTFSP model that has been developed as part of this study is designed to analyze alternative expenditure and revenue scenarios, based on an extensive set of assumptions and inputs. The modeling includes a forecast of changes to the assessment base, by class, resulting from growth and development and changes in market values. The resulting analysis indicates that the non-residential share (including machinery and equipment) of the unweighted assessment base is forecast to decrease slightly from the current level of 43 per cent to 41 per cent. The following summary output is generated by the current model configuration.



APPENDIX A.6

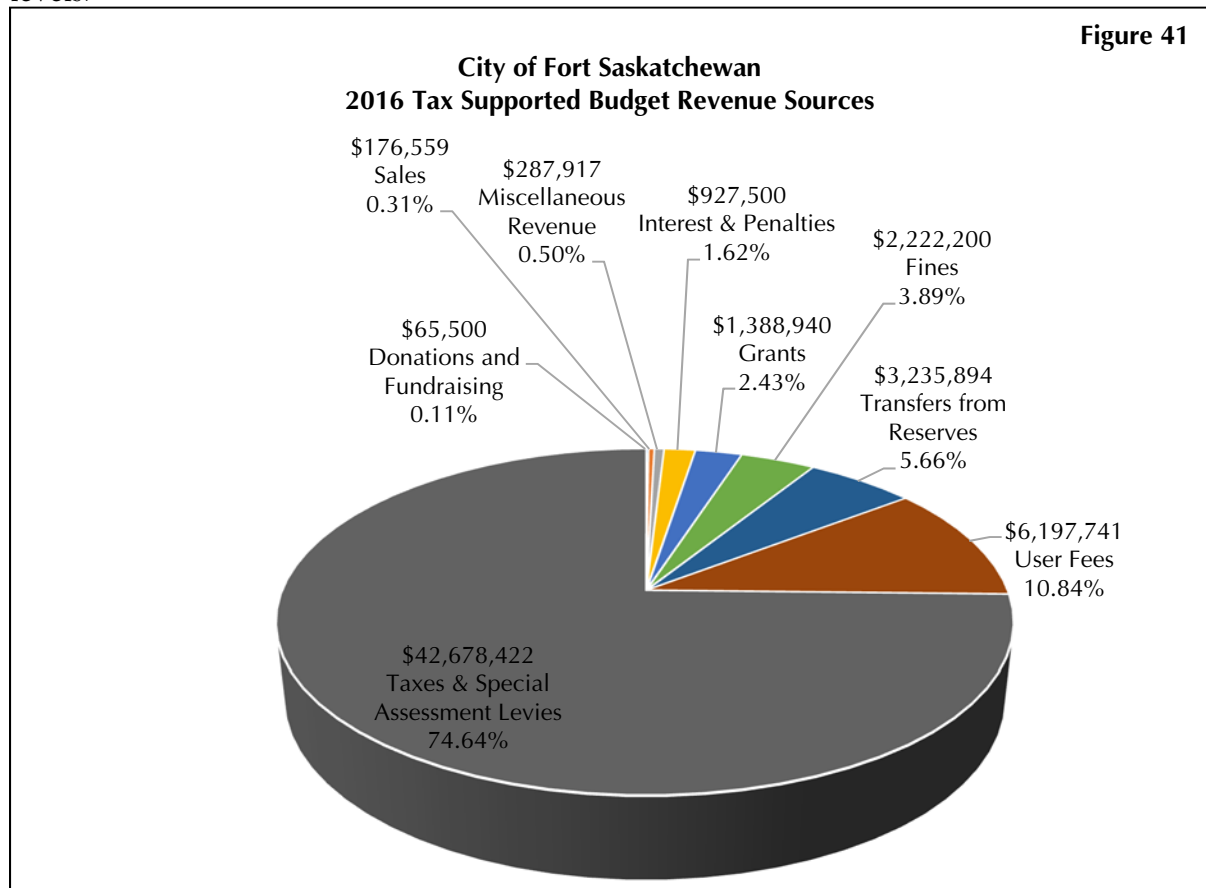
SENIOR LEVELS OF GOVERNMENT FINANCIAL SUPPORT

A.6 SENIOR LEVELS OF GOVERNMENT FINANCIAL SUPPORT

1. BACKGROUND

A central consideration in examining municipal fiscal sustainability is a municipality's reliance, or dependence, on non-own source revenues. Non-own source revenues are largely transfers from upper levels of government and other public agencies. The key concern with non-own source revenues is vulnerability, or risk, that the level of funding support could decrease or even be eliminated.

Historically, and currently, the City of Fort Saskatchewan has benefited from unconditional and conditional grants and transfers from other levels of government. As shown below, 2016 tax supported budget revenues include approximately \$1.39 million in grant revenue, representing 2.43 per cent of total revenues. A loss of this revenue would require tax levy increases in order to maintain service expenditures and levels.



2. PURPOSE

Establish policies and practices to support revenue stability, reliability and sustainability.

3. POLICY

- 3.1 Quantify and track all non-own source revenues.
- 3.2 Utilize non-own sources revenues for specific functions and facilities.
- 3.3 Seek assurances that existing Provincial and Federal funding will continue to be stable and predictable.
- 3.4 Work with other municipalities and associations, to request the Province provide new, stable and predictable funding to ensure capital infrastructure be maintained in a “state of good repair.”

4. APPROACH

Quantify, track and understand all sources of revenue with the objective of establishing secure, predictable and stable sources of revenues.

4.1 Quantify and Track all Non-Own Source Revenues

- 4.1.1 The LTFSP model is structured to measure and forecast revenues by source:
 - 4.1.1.1 Use the model to track and examine long range trends.
 - 4.1.1.2 Undertake sensitivity analysis to examine the impact on tax and utility rates and of real declines in the level of the various non-own source revenues.
- 4.1.2 Increase Use of Non-Property Tax Revenues Generated and Controlled by the City (Own Source Revenues).

4.2 Utilize Non-Own Source Revenues for Specific Functions and Facilities

- 4.2.1 Continue to earmark ongoing stable transfers for specific functions:
 - 4.2.1.1 Federal Gas Tax Fund: Mainly transportation infrastructure. Note: most capital projects are now eligible under Federal guidelines.

4.2.1.2 Municipal Sustainability Initiative: General operations, transportation, facilities, recreation, and parks.

4.2.2 Make use of one-off Provincial/Federal capital grant programs if they fit within the parameters and objectives of the City's budget and financial plan; the City can manage to fund its share of the project without negatively impacting other objectives.

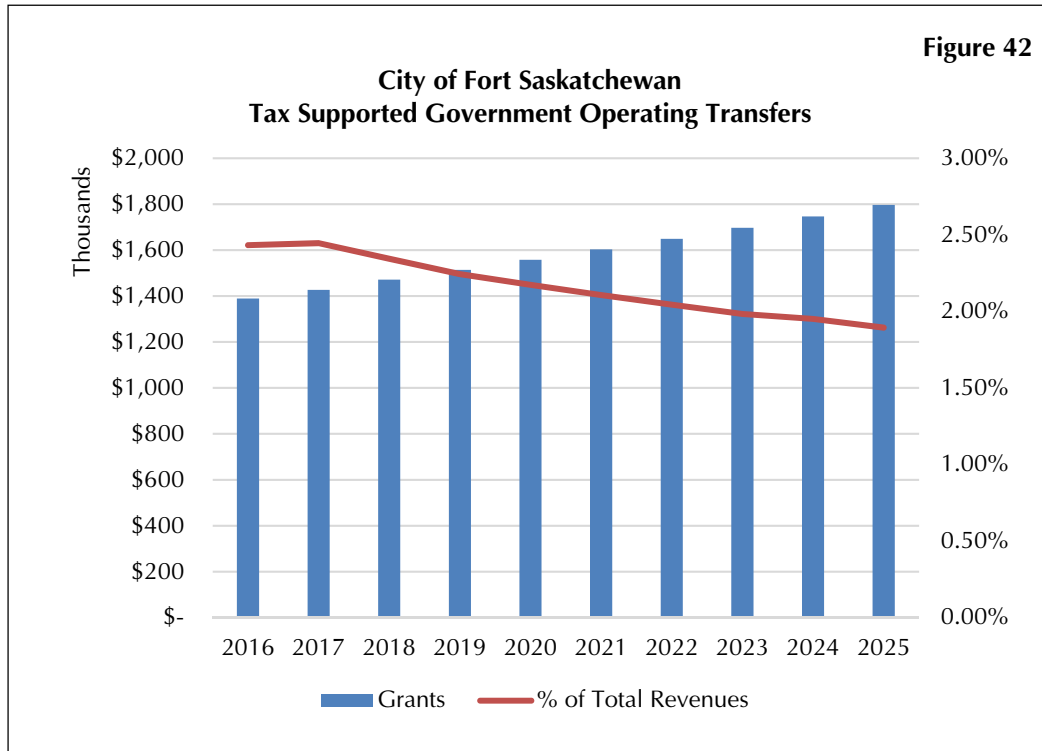
4.3 Support from Senior Levels of Government

4.3.1 Seek assurances that existing Provincial and Federal funding will continue to be stable and predictable.

4.3.2 Work with other municipalities and associations to request the Province provide new, stable and predictable funding to ensure capital infrastructure be maintained in a "state of good repair."

5. FORECAST RESULTS

The LTFSP model that has been developed as part of this study is designed to analyze alternative expenditure and revenue scenarios, based on an extensive set of assumptions and inputs. The modeling includes a forecast of revenues by source, including transfers, grants and subsidies from other levels of government. The summary below suggests that the City will continue to rely on support from senior levels of government, although at a slightly decreasing rate as a share of overall tax supported budget revenues.



APPENDIX A.7

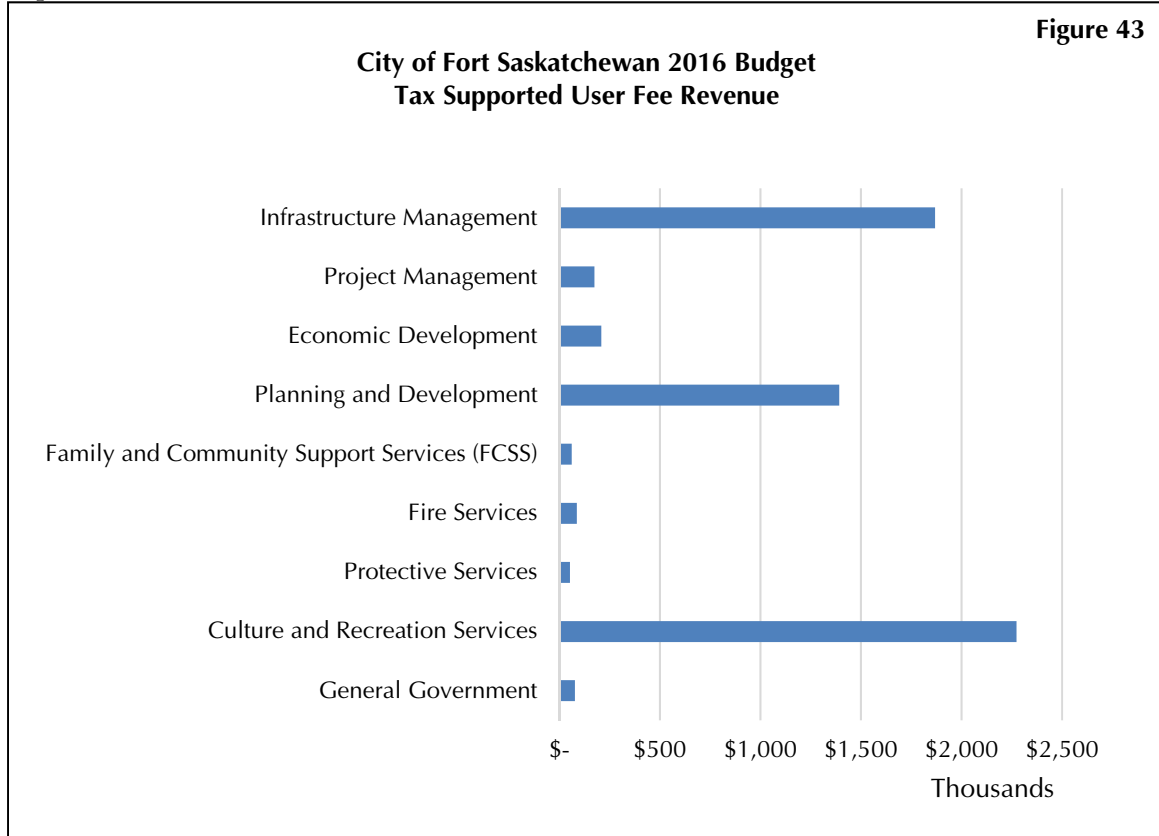
USER FEE POLICY

A.7 USER FEE POLICY

1. BACKGROUND

Municipalities, including the City of Fort Saskatchewan, have limited revenue raising tools available and after property taxation, user fees are the most significant source of own source revenue. As transfers from other levels of government may remain flat or decline in addition to other pressures on the property tax rate, it is important that the City examine opportunities to increase user fees as a revenue source. A consistent approach to setting user fees is necessary to protect and anticipate this important revenue source, as well as to ensure that the necessary information is available to make informed decisions regarding user fees.

The City of Fort Saskatchewan's 2016 Budget identifies \$6.2 million in user fee revenue for property tax supported services (excludes utility revenues). This represents 10.8% of the City's total tax supported revenues and 12.5% of own source revenue. The following graph illustrates the distribution of these revenues by department/service:



2. PURPOSE

The purpose of this policy is to establish a consistent and transparent approach to considering and establishing user fees for goods and services provided by the City of Fort Saskatchewan. It is intended to provide an analytical framework and process to examine the applicability including reasonableness, of user fees for specific services and functions. Furthermore, if user fees are to be used for a particular service, the process used to establish the quantum should be transparent and reasonable.

3. POLICY PRINCIPLES

The following principles should be considered when determining the applicability and scope of setting user fees:

3.1 Benefits Received Principle

Those individuals/households who receive the benefit of a good or service should pay the fee necessary to supply that good or service according to the level or extent they use or benefit from the service.

3.2 Cost Recovery Principle

The full cost of providing a good or service including operating expenses, administrative costs, overhead, capital expenses (including depreciation), should be the starting point when calculating the appropriate user fee. It is recognized that factors such as being competitively priced within the local market, should be considered when establishing user fees and charges.

3.3 Capital Assets: Full Life Cycle Costing

Over time, the City's existing infrastructure and assets will decline and will require long-term repair and replacement. It is incumbent upon the City to properly manage the assets and ensure they are maintained in a "state of good repair". Full life cycle costs should be considered when determining user fees to ensure adequate asset management/replacement monies are available in the future.

3.4 General Tax Supported Principle

Services and goods that are provided by a municipality and benefit society as a whole, property tax payers should pay for those benefits.

4. APPROACH

The following section provides a guideline for the examination and determination of user fees for the full range of City goods and services:

4.1 Good and Service Classification

4.1.1 Non Tax Supported

City provided goods or services that should be fully funded by user fee revenues with no property tax support. These are goods and services where the full benefits received principle applies.

4.1.2 Fully Tax Supported

City goods and services for which the benefit from consumption cannot be easily ascribed to an individual or a user fee is not practical or desirable, should be fully funded from property taxation. A fully tax-supported good or service is one for which the full costs are recovered through taxes, therefore no user fees are charged.

4.1.3 Partially Tax Supported

Some goods and services provided by the City will be funded by a combination of user fee revenues and property tax monies. A good or service potentially falls within this category if the benefit from consumption accrues to both the user as well as to society as a whole and a user fee can be charged.

4.1.4 Licenses, Permits and Approvals

Licenses, permits and approvals constitute permission granted by the municipality allowing property owners to use their property in a specified manner. These types of services are typically funded fully from application fees and charges. Furthermore, users can be fined for non-compliance.

4.2 Pricing Methodology

4.2.1 Each user fee should be supported by a pricing methodology for calculating the user fees. The pricing methodology will form the basis to set the user fee for each good or service.

4.2.2 Pricing of user fees should conform to the Municipal Government Act and any other relevant legislation.

4.2.3 The methodology for calculating prices for all goods and services should consider:

- 4.2.3.1. An estimate of the full cost of producing the good or service. The full cost of producing the good or service will include:
 - 4.2.3.1.1. All direct and indirect operating costs;
 - 4.2.3.1.2. All capital costs - the capital costs include amortization of any debt, depreciation and lifecycle costs and a return on capital; and
 - 4.2.3.1.3. Corporate overhead costs - allocation of these costs across municipal departments/programs can be done on the basis of different factors such as shares of corporate total employment, gross/net expenditures, etc.

The following is a schematic of a classification of a range of services and goods, by method of funding, as used by the City of Calgary. This schematic is a good starting point for the City of Fort Saskatchewan, as it categorizes the goods and services provided by the City for the purpose of establishing method of funding.



- | | | | |
|--|---|--|---|
| <ul style="list-style-type: none"> Fully tax supported services are funded through property tax and other taxes These City services benefit society as a whole and are equally available to all citizens Users are not excluded for non-payment | <ul style="list-style-type: none"> Partially tax supported services benefit both individuals and society at large These City services are funded by both user fees and taxes. User fees do not recover the full cost of providing the service. Users can be excluded for non-payment | <ul style="list-style-type: none"> Non tax supported services primarily benefit the individual using the service These City services are funded through user fees. User fees recover the full cost of providing the service Users can be excluded for non-payment | <ul style="list-style-type: none"> Licenses, permits and approvals are used to regulate the use of, or changes to, private property Users can be fined for non-compliance |
|--|---|--|---|

Source: City of Calgary Underlying Principles Guiding User Fees & Subsidies Review, 2007

5. FORECAST FINDINGS

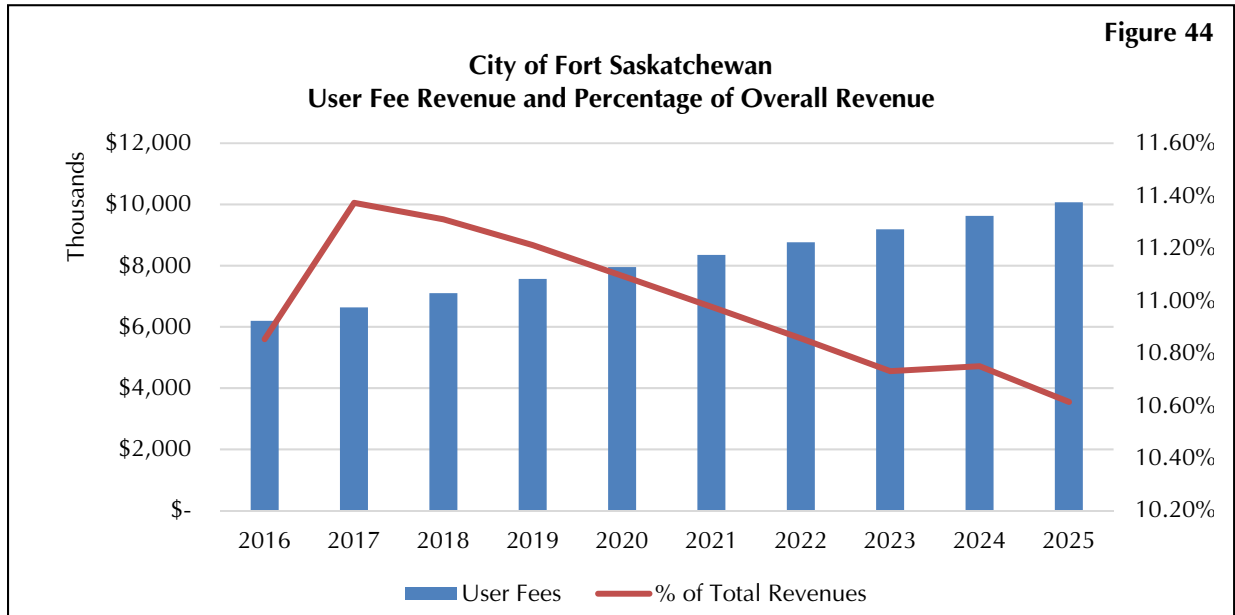
A key recommendation of the study is that the City should research the impact of establishing full cost recovery utility rates for water, sewer, and storm water services. To avoid any large scale increases, a phased-in approach may need to be considered.

For water, wastewater and solid waste services the City currently recovers all direct and indirect costs but long-term asset replacement obligations are not fully funded. While it may not be viable to move to fully calculated contribution in the short-term, reasonable and sustainable targets should be established.

The City should also consider establishing a stormwater utility rate, which is becoming increasingly common in municipalities across Canada. A stormwater rate can help address long-term stormwater asset replacement deficiencies and make available tax room for the replacement of other assets such as roads and buildings.

With respect to other user fees, it is recommended that the City review the full range of services and the current share of costs being funded by user fees and charges to identify if there are opportunities to increase fees, especially services where it is easy and reasonable to apply a benefits received principle in establishing equitable fees and charges.

The following graph illustrates the forecast user fee revenues for property tax supported services over the 10-year planning period. The user fee revenues represent 10-12 per cent of own source tax supported revenues over the forecast period.



APPENDIX B

RESERVE POLICY COMPARISON

	Calgary	Edmonton	Airdrie	Grand Prairie	Lethbridge	St. Albert
General Reserve Policy Comments	One-time contribution or use of funds greater than \$200,000 are to be reviewed by the CFO and forwarded to the City Manager for approval Over or under funding: The appropriate Department shall prepare an action plan to return a reserve back into compliance Periodic review of a reserve (Triennial Review process) : Every active reserve will be reviewed at least once every three years.	Review Frequency: Fund levels in the Equity Accounts will be reviewed as a minimum every five years	Reserve Limits Policy: 1. Ceiling limits may be established on individual reserves at Council's discretion 2. It is suggested that total budgeted transfers to capital reserve from the operating budget in each calendar year will target 2% of the prior year's value of capital assets 3. Total operating reserve balances will target 7% of the city's annual operating budget, excluding the Carry Forward reserve		Maintenance is a High Priority: Maintenance of current assets and infrastructure takes a higher priority than building new assets or infrastructure. One-Time Allocations: Fifty percent of the prior year operating surplus can be allocated from the Municipal Revenue Stabilization Reserve (MRSR) to cover one time expenditures. Debt Smoothing: The Major Capital Projects Reserve is used to buffer the effects of short-term fluctuations in debt payments and capital expenditures.	
General Contingency Reserve			General Capital Reserve			Internal Financing Capital Reserve
General Comments			To provide funding to ensure that a prudent level of available financial resources are maintained to provide resources for capital asset repairs, replacement, upgrading or new construction while balancing the need for long-term debt financing		A contingency amount will be established to provide for non-recurring unanticipated expenditures or to set aside funds to cover known contingencies with unknown costs. The funding amount will be established and approved through the annual operating budget. (note: the City Manager can approve allocations up to \$5,000).	Funds from this reserve will be used to internally finance or fund capital projects as approved by Council.
Floor						
Ceiling						
Contributions/Sources of Funding			Sources: a) Unspent debenture funds to be carried forward to the following year b) Land sale revenue c) One-time unexpected sources of capital revenue d) Tax increases specifically related to capital assets e) 50% of the City's year-end general operating surplus			Source of Funding: a) Transfers equal to repayment of principal for approved projects with interest equivalent to the average rate of return earned by City's investments. This interest rate is intended to offset the investment interest not earned or lost by the City on funds utilized to interim finance capital projects, and will ensure the City is not profiting from internal borrowing. b) Annual transfer or other sources as approved by Council.

	Calgary	Edmonton	Airdrie	Grand Prairie	Lethbridge	St. Albert
Mill Rate Stabilization Reserve	Fiscal Stability Reserve	Financial Stabilization Reserve	General Operating Reserve	Financial Stabilization Reserve	Municipal Revenue Stabilization	Stabilization Reserve
General Comments	Background on Change from Mill Rate Stabilization Reserve: - One of the recommendations approved by Council in report C2005-04 (Recommended Approach to Multi-Year Budgeting) was to convert the Mill Rate Stabilization Reserve (MRSR) into a Fiscal Stability Reserve (FSR) with a different purpose and policy. - The MRSR was intended to stabilize tax increases from year to year, but with the advent of multi-year budgeting its purpose is changing. A reserve was needed for contingency purposes to handle unexpected events (e.g., natural disaster) or circumstances (e.g., drop in investment income) with significant financial impacts. The existing Mill Rate Stabilization Reserve is renamed as the "Fiscal Stability Reserve" and: A. The reserve is to be used for the following purposes: - a contingency fund for operational emergencies, urgent or contingency capital expenditures, and to compensate for unplanned revenue reductions with significant financial impacts; - investment income from the reserve would be used to fund one-time operating budget expenditures. B. Budgeted one-time operating expenditures funded from the FSR for the three-year business planning and budgeting cycle are to be funded to a limit of the investment income projected for the reserve during the same three-year period. PROCEDURE - In budget projections and proposed budgets, Finance and Supply will indicate funding for tax-supported one-time operating expenditures as coming from the FSR. - Urgent situations with significant financial impacts will be reported to Council by Administration for potential use of FSR funds. - Tax-supported operating budget surpluses and investment income earned on the Reserve's funds will be added to the Reserve.	Measured as a percent of current general government expenses (excluding non-cash amortization)	To provide ongoing funding to ensure that a prudent level of available financial resources are maintained to protect against fluctuating revenues and expenditures in the operating budget	The Financial Stabilization Reserve Fund may be expended to cover any annual operating deficiencies.	The purpose of the Municipal Revenue Stabilization Reserve (MRSR) is to stabilize the effects of fluctuating interest revenues and General Fund operating surpluses and deficits on annual taxation requirements. The annual allocation from the Municipal Revenue Stabilization Reserve to relief of taxation will equal normalized return on investments (including CentreSite and the Electric Utility), Municipal Consent and Access Fees (MCAF), Police fines and penalty revenues.	Funds from this reserve will be used for stabilizing budgetary impacts resulting from unanticipated events. Examples are abnormal snow removal, fluctuating interest rates, declines in revenues, increased utility costs or other items that would result in an overall deficit to the municipal operation

	Calgary	Edmonton	Airdrie	Grand Prairie	Lethbridge	St. Albert
Floor	The minimum FSR balance is set at 5% of The City's tax-supported gross operating expenditure (net of recoveries), excluding the utilities.	5%		10% of the current year's budgeted operating requirements		
Ceiling	The target balance for the reserve is to be 15% of the tax-supported gross operating expenditure (net of recoveries), excluding the utilities.	8.3% - Any balance above the target will be applied evenly to the three subsequent year's operating budgets or applied to significant one-time operating expenses or capital priorities	7% of the annual operating budget			2% of the annual municipal operating budget
Contributions/Source of Funding	E. Any favourable corporate operating budget variances are to be transferred to the Reserve. F. Investment income earned on the Reserve's funds is added to the Reserve. G. Previously committed one-time contingent funds that are no longer required for their original purpose, such as recoveries from provisions for tax losses, legal claims or environmental provisions, are to be transferred to the reserve.	100% of general government surplus will be placed in this reserve - If balance is below floor, a strategy will be adopted to achieve the minimum over a period not exceeding 3 years including: - Any unplanned one-time revenues - Previously committed one-time contingent funds	Source of funding: a) Supplementary tax revenue b) 50% of the City's year-end general operating surplus c) Annual contributions determined in the operating budget			Source of Funding: a) An annual transfer as determined by Council. b) Transfer of annual surpluses remaining after any Council approved transfers to reserves as part of the year end process. c) Other sources as approved by Council

Reserve for Snow Removal			Snow Maintenance Reserve	Winter Stabilization Reserve		
General Comments			To provide emergency funding for the snow/ice control program			
Floor				25% of the snow removal and ice control operating budget		
Ceiling				50% of the snow removal and ice control operating budget		
Contributions/Source of Funding			Current: \$50,000 Recommended: \$100,000	Revenue Sources: Funds are derived from surpluses in the Transportation Services department, or any funds that are specifically designated by Council.		

	Calgary	Edmonton	Airdrie	Grand Prairie	Lethbridge	St. Albert
Vehicle and Equipment Replacement Reserves			Fleet Asset Management Reserve			Lifecycle
General Comments						Funds: a) Equipment Replacement Fund b) Emergency Services Equipment Replacement Fund c) Office Systems Replacement Fund d) Facilities Refurbishment Fund e) Arden Theatre Repair and Refurbishment Fund f) Servus Credit Union Place Replacement and Refurbishment Fund g) Aquatics Facility Refurbishment Fund h) Public Art Acquisition, Maintenance, and Restoration Fund Application: A lifecycle plan for each of these reserves has been established and is carefully reviewed, detailed and scheduled by the respective departments. It outlines specifically which items are required for replacement, potential ones that may exceed its useful life, and any potential updates. The initial funding of replacement of equipment will be based on the manufacturer's estimated useful life. This estimate will be reviewed on an annual basis and the funding adjusted accordingly. Equipment in good condition that has reached the end of its estimated useful life will not be replaced until it is no longer able to serve its intended purpose.
Floor						
Ceiling						N/A – based on the projected requirements of the replacement and refurbishment plans.
Contributions/Source of Funding			Sources: a) Annual contribution from the operating budget b) Proceeds of sale of fixed assets			Source of Funding: a) Annual transfers as approved by Council. b) Other transfers as approved by Council. c) May also include donations, corporate investments, and unconditional and matching grants.

	Calgary	Edmonton	Airdrie	Grand Prairie	Lethbridge	St. Albert
Road Reserve			Roads Capital Reserve			Transportation
General Comments						Funds: a) General Transportation Fund b) Public Transit Fund The reserve is used to fund: a) Transportation projects approved by Council. b) The scheduled replacement of Transit buses, facilities and equipment other than mobile equipment. c) Funds are for the replacement of existing equipment with equipment of similar type or capacity. Council approval is required to utilize reserve funds for replacement with equipment of a better quality or with enhanced features and capabilities or the purchase of new equipment which expands fleet.
Floor						
Ceiling						
Contributions/Source of Funding			Sources: a) Unspent roads debenture funds b) Special grant funds c) Interest earned d) Credit balances from capital projects due to differences resulting from Y/E accruals			Source of Funding: Annual transfers as determined by Council.

	Calgary	Edmonton	Airdrie	Grand Prairie	Lethbridge	St. Albert
Facilities Maintenance Reserve			Building Reserve			Major Recreational Lands and Facilities
General Comments			To provide funding for major renovations and repairs or construction of new City facilities	Expenditure Guidelines The Facility Depreciation Reserve Fund may be expended for the repair, renovation or replacement of a major City facility. The facility renewal accounts set up in the operating budget each year are intended to fund general maintenance and repairs to the facilities. These accounts are funded through this reserve, with any surplus at year end to return to the unallocated portion of the reserve. Other non-routine repairs or renovations are eligible to be funded through this reserve, as approved in the Capital Budget. When replacing an existing building; the amount eligible to be funded from the Facility Renewal Reserve is equal to the historical cost of the old building, adjusted for inflation. This reserve is not intended to fund the construction of new facilities that are required due to growth or additional services offered. Other non-routine repairs or renovations are eligible to be funded through this reserve, as approved in the Capital Budget. When replacing an existing building; the amount eligible to be funded from the Facility Renewal Reserve is equal to the historical cost of the old building, adjusted for inflation. This reserve is not intended to fund the construction of new facilities that are required due to growth or additional services offered.		Includes the following funds: a. Major Recreational Facilities – City Wide Fund b. Major Recreation Facilities – Neighbourhood Fund c. Parkland Fund d. Dog License Fund Application: The reserve is used to fund capital acquisition, development, or major enhancement of public use lands, facilities, parks or other recreational areas as approved by Council. Dog license funds are to be used for dog parks associated amenities and life cycle maintenance/upgrade of these items.
Floor						
Ceiling						N/A – based on rate of development and contributions associated with development, sale of reserve lands and the City's recreational needs.
Contributions/Source of Funding				Revenue Sources An amount equal to the depreciation of existing City facilities as calculated by Policy 351 - Tangible Capital Assets will be transferred into the reserve each year. Interest will accrue to the reserve.		Source of Funding: a. "City Wide" and "Neighborhood" contributions are received on a per residential unit basis as agreed to by Council and developers under Capital Recreation Contribution agreements. b. "Parkland Fund" contributions are received through i) surplus proceeds from the sale of reserve lands and ii) payment in lieu of reserve land dedication to meet the cost of acquiring and developing public use lands as prescribed in the Municipal Government Act. c. Other revenues as approved by Council. d. Dog License Fund contributions are received through a surcharge as part of the annual dog license fee.

APPENDIX C

MUNICIPAL COMPARISON OF DEBT LIMITS

HEMSON

Municipal Comparison of Debt Limits

	Calgary	Edmonton	Airdrie	Grand Prairie	Lethbridge	St. Albert
Debt Limits	Tax supported debt service as a % of tax-supported gross expenditure (net of recoveries) shall not exceed 10%	The City has established internal Municipal Debt Limits based on Debt Servicing costs at: 22% of City revenues for total Debt; and 15% of Tax Levy Revenue for Tax-Supported debt.	Total tax supported debt payments in the operating budget will not exceed 10% of the total General Fund operating revenue, net of requisitions. Total Utility fund supported debt payments will not exceed 25% of revenues generated through a rate structure. Total outstanding tax supported debt shall not exceed .75% of the City's taxable assessment.	The maximum total amount of debt will be limited to 80% of the maximum debt limit prescribed by the ACFA. The maximum debt servicing charges will be limited to 70% of the ACFA limit.	Provincial limits	The City shall adhere to an internal debt limit of 85% of the provincially prescribed debt limit and debt servicing limits; and shall further restrict tax-supported borrowing through an internal tax-supported debt limit of 50% of the City's internally determined debt limit and debt servicing limits.
Debt Term Limits	The maximum debt term is 20 years.		Where possible, the term of a long-term debt issuance will not exceed 75% of the useful life of the asset acquired. Furthermore, the repayment of principal on tax supported debt should generally 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 asset in which other financial policies such as capital reserve allocations can be		Taxation supported loans are to be limited to 5 years on small projects and 15 years on large projects.	The repayment term (amortization) in respect of long-term debt shall not exceed the useful life of the asset being financed by the City; however, in order to minimize borrowing costs the term shall be minimized.