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**TAMRMS#:** B06

## **Annual Review of Financial Policies**

Presented by: Diane McMordie, Director of Financial Services

### **RECOMMENDATION(S)**

That the following City Council Policies, be amended by substituting the proposed City Council Policies (amendments incorporated) provided as attachments to the August 28, 2017 Agenda Report titled "Annual Review of Financial Policies":

C-FS-01 Financial Reserves  
C-FS-02 Investments  
C-FS-03 Debt Management  
C-FS-04 Cash Management  
C-FS-05 Budget and Taxation Guiding Principles  
C-FS-11 Operating and Capital Carry Forwards and Closed Projects (previously Operating and Capital Carry Forwards)  
C-FS-16 Municipal Fees and Charges

### **PURPOSE OF REPORT**

Each year, Administration is required by policy to review specific Council financial policies. All such policies have been reviewed by Administration and proposed amendments are provided to Council for consideration. Some of the recommendations are based on specific Council motions and others are recommendations from administration for purposes of completeness and clarity.

### **COUNCIL DIRECTION**

On December 14, 2015 Council passed the following motion:

(PM33-2016)

That the title of COUN-013 from "NABI Building Fund" be changed to "Business Incubation Building Fund"

On December 12, 2016 Council passed the following motions:

(CM-16-085)

That Administration provide to Council before the end of Q3 2017, recommended policy changes to C

-FS-03 and any other relevant policies, to add a provision that when Council chooses to not address new tax supported debt payments by reallocating dollars within the existing Capital Funding Formula, that the new tax supported debt is identified as a separate debt servicing budget item outside the Capital Funding Formula, and that the additional tax requirement is removed when the debt is paid and to provide to Council other potential approaches for consideration.

(PM113-2017)

That \$50,000.00 per year for 8 years be transferred into a capital reserve to support the Food Bank/Community Village for their future new building and that Administration bring forward any necessary amendments to C-FS-01 Financial Reserves schedules to reflect this new reserve.

On March 20, 2017 Council passed the following motions:

(AR-17-057)

“That the remaining balance within the LRT/BRT reserve of \$89,358.45 be transferred to the Capital Reserve and that the reserve be closed.”

“That the remaining balance within the General Transportation reserve of \$90,155.39 be transferred to the Capital Reserve and the reserve be closed.”

## **BACKGROUND AND DISCUSSION**

Both redlined and incorporated versions of each policy are provided as attachments to the August 28, 2017 agenda report titled “Annual Review of Financial Policies”. The following section seeks to provide Council members an overview of the proposed changes with specific attention to any changes deemed significant.

### C-FS-01 Financial Reserves

Schedule 01 - Stabilization reserve - added wording to re-iterate that approvals from this fund should be “of a non-capital nature”.

Schedule 06 - LRT/BRT Reserve - Delete schedule. Council directed administration to transfer the remaining balance of \$89,358.45 to the Capital reserve and close the account as per motion AR-17-057 on March 20, 2017.

Schedule 08 - RCMP Contract Expense reserve - added wording to clarify intent of the reserve being available to cover deficits related to both staffing as well as other contract expenses.

Schedule 09 - Safety Enhancement Reserve - removed requirement for items greater than \$15,000 be brought to Council as a business case during the budget process.

Many items brought forward are related to safety issues and as such are of an emergent nature. Having to proceed only as part of a budget process is problematic due to the time sensitivity around these types of issues. As the items are funded from a reserve there is no impact to taxes and therefore the link to the budget process is unnecessary. The intent would be to continue to bring

groups of items to Council for approval as an agenda report once or twice a year or as a one-off emergency request as warranted. All expenditures from this fund would still require Council approval.

Schedule C2 - Major Recreational Lands & Facilities - textual changes to reflect current conditions

Schedule C3 - Offsite Levy Recovery Fund (OLRF) - This account contains 2 sub accounts, one being the General Transportation Fund and the second being the Offsite Levy Reimbursed Funds. The general transportation holds legacy dollars from the old PAC (Permanent Area Catchment) program. As per motion AR-17-057 approved on March 20, 2017, the funds of 90,155.39 was transferred to the Capital Reserve and the sub reserve be closed, and the schedule be updated accordingly.

Schedule C4 - Lifecycle - added wording to provide clarity on current practice to state that surpluses from closed projects are returned to the original fund.

Schedule OA1 Outside agency operating - Addition of a Library Stabilization fund. The addition of this reserve is being requested by the Library. Details on the funding and use of this reserve can be found in the schedule.

Schedule OA2 Outside Agency Capital - changed the name of the NABI Building Fund to the Business Incubation Building Fund as per PM33-2016 (this was inadvertently missed in the last policy update). Also added a sub-schedule for the Food Bank/Community Village Building Fund as per PM113-2017.

### C-FS-02 Investments

Majority of mark-up is solely related to the move to the new policy template.

The only substantive change relates to the credit rating requirement for Schedule I chartered banks is recommended to be changed from AA to A.

While this Council policy relies on the ratings provided by DBRS (Dominion Bond Rating Service), another major rating agency (Moody's) has down graded several of the big banks to an A rating and there is chance that DBRS may follow suit.

What this would mean for the City is that we would have limited selection of products to purchase in the future as many of the large banks could not meet our current minimum standard of a AA rating.

In discussions with our portfolio experts at BMO Nesbitt Burns, the downgrade of some of the major banks to an A rating is nothing to be concerned with and it is still considered a very high quality investment with limited risk.

The current policy could be viewed as overly restrictive and could impact our ability to maintain our interest income levels if we were unable to purchase these products in the future.

### C-FS-03 Debt Management

Added a definition for Capital Funding Formula.

Amended Standard 5 to be compliant with Council motion CM-16-085 to provide options as to how debt is handled within the operating budget

#### C-FS-04 Cash Management

Added required definitions.

Clarified actual practice with regards to cash flow models.

#### C-FS-05 Budget and Taxation Guiding Principles

Added a qualifying statement with regards to early approval of RMR projects should amendments be made subsequently during the budget process.

#### C-FS-11 Operating and Capital Carry Forwards

Changed title, policy statement, definitions and standards to reflect the fact that closed/completed projects are also handled through this process.

#### C-FS-16 Municipal Fees and Charges

Schedule 11 - Cemetery Fees - Recommended changes to comparator municipalities. On the existing list there are some municipalities listed that do not run municipal cemeteries and others who have not updated their fees in over 10 years.

Schedule 12 - Fees Contained in Bylaw - Added Animal Bylaw which was mistakenly absent.

### **STAKEHOLDER COMMUNICATIONS OR ENGAGEMENT**

Department heads and Senior Leadership Team were consulted as to any required/requested changes to the above policy. This feedback was incorporated where appropriate.

### **IMPLICATIONS OF RECOMMENDATION(S)**

#### Financial:

None at this time

#### Legal / Risk:

Recommended changes will ensure that Council policies are up to date and reflect specific direction provided by Council.

#### Program or Service:

None at this time

#### Organizational:

None at this time

## **ALTERNATIVES AND IMPLICATIONS CONSIDERED**

Alternative 1 - Do nothing. This alternative would leave existing policies in force. The policies would then not be in alignment with current accepted practice and/or Council direction.

## **STRATEGIC CONNECTIONS**

City of St. Albert Strategic Plan (Policy C-CG-02) - Pillars of Sustainability

### Governance Strategy

Council is committed to ensuring that the City of St. Albert is a responsive, accountable government that delivers value to the community.

### Corporate Objectives (See Corporate Business Plan)

Deliver programs and services that meet or exceed our standards

Exercise strong fiscal management

Report Date: August 28, 2017

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