

# STURGEON COUNTY

## Summary of Fiscal Principles, Practices and Policies



Approved by Council Motion 360/13

August 27, 2013

Summary of Fiscal Principles, Practices and Policies

The County functions at its fiscal best when it operates within a framework of well-planned and implemented principles, practices and policies. Over the years the County has embraced fiscal principles and developed and implemented financial practices and policies. It has been until now that these vital building blocks to providing exceptional programs and services to our residents have been summarized in one place. This document is intended to be a collection of policies and practices already in place and policies or practices for Council's deliberation (underlined and in italics).

The document is organized into twelve categories: Operating Budget, Capital Budget, Taxation, Revenues, Expenditures, Utility Financial Policy, Long-Term Debt, Investments, Reserves, Accounting, Risk Management and Growth. Within these sections there are the keys to the prudent fiscal management that will enable the balancing of long-term fiscal responsibility with customer needs.

## Operating Budget

- Budget Requirement
  - County Council must adopt an operating and capital budget for each calendar year. Administration prepares the County's initial budgets based on Council approved corporate business plans and priorities in a consistent and professional manner.
- Balanced Budget
  - The County's operating budget must have revenues equal or greater than expenditures.
- Multi-year Operating Budget
  - The County will prepare an annual operating budget with two year forecast budgets.
- Conservative Revenue Estimates
  - The County will estimate its annual revenues by an objective, analytical approach utilizing trend, judgemental and statistical analysis as appropriate.
- Maintenance High Priority
  - Maintenance of current assets and infrastructure takes a higher priority than building new assets or infrastructure.
  - In addition, life cycle maintenance is considered when setting priorities. Annual operating budgets will provide for adequate maintenance and replacement of the County's capital.

- Contingency Amount
  - The County's contingency reserve will be replenished on an annual basis through the budget process.
- Budget Amendments
  - All unbudgeted projects or projects with scope or funding changes must be brought to council for approval before any money is committed. (See Expenditures section)
- Public Participation
  - While preparing the annual budgets, public input is solicited and numerous opportunities are offered for presentations to Council during budget deliberations.
- Program Review
  - Managers will appear before Council to review established service-level standards and review department performance with respect to established outcome-based performance measures.
  - Each department is subject to a detailed external program review, including its operating budget and service level standards.

## Capital Budget

- Ten Year Capital Budget
  - The County develops an annual ten-year plan for capital improvements to provide for adequate design prior to construction season.
  - The Capital Improvement Plan (CIP) includes design, development, implementation, operating, and maintenance costs as well as associated funding sources.
  - The County will develop a ten year plan for equipment and vehicle replacement.
  - The first year of the ten year plan is approved annually.
- Pay As You Go
  - Under the County's Pay As You Go plan, equipment, vehicles and capital projects that are recurring, are of relatively small scale, or are short lived will be tax, reserve or grant funded.
- Capital Grants
  - Allocation of capital grants to capital projects: roads, bridges, trails and economic development initiatives.

## Taxation

- Tax Bylaw
  - The County must pass a property tax bylaw annually.
  - The operating and capital budgets must be adopted by County Council prior to passing the property tax bylaw and the bylaw will be prepared in accordance with the approved budget. It is at Council's discretion to adjust the bylaw.
- Tax Installment Prepayment Plan (TIPP)
  - The County will provide for ratepayers to pay annual taxes on a monthly basis based on the previous year's taxes and adjusted mid-year.
- Tax Arrears Payment Plan
  - The County may enter into an agreement for a maximum of three years for the payment of tax arrears as provided for in the Municipal Government Act.
- Tax Penalties
  - Current year taxes not paid by last business day of June will be subject to a 6% penalty July 1<sup>st</sup>.
  - Current year taxes still outstanding will be subject to another 6% penalty August 1<sup>st</sup>.
  - All arrears outstanding at March 1<sup>st</sup> will be subject to a 12% penalty.
  - Only County Council may waive a penalty unless a proven human or machine error is made by Sturgeon County staff. ADM TAX 2.
- Tax Recovery
  - The County will take the necessary action to recover property taxes that are in arrears, while ensuring that the tax recovery process being followed is fair and reasonable to both the property owner(s) and the County, and within the authority provided by the Municipal Government Act (MGA).
- Special Tax Bylaws
  - The County will consider implementation of a Special Tax Bylaw provided through the MGA to provide a service not normally provided throughout the County.
- Assessment Corrections
  - In accordance with the Municipal Government Act (Section 305), the County Assessor has the authority to correct an assessment and issue a credit to a tax account for the current year only. If a correction is approved, the taxation clerk will issue a revised assessment and taxation notice.

## Revenue

- User Fees
  - The County charges user fees for services. User fees will be reviewed and adjusted annually to recover the full cost of services provided, except when County Council determines that a subsidy from general revenue is in the public interest.
  - User fees will be based on full cost recovery where it is applicable and cost effective to do so.
- One-time Revenues
  - Revenues that are not expected to be of an ongoing nature will not be used to fund ongoing expenditures. The County will avoid budgetary and accounting procedures, which will balance the current budget at the expense of future budgets.

## Expenditures

- Approved Expenditure
  - Expenditures may only be made if they are included in the operating or capital budgets or otherwise authorized by County Council; for an emergency; or legally required to pay.
- Cheques Greater than \$150,000
  - Cheques \$150,000 and over will be hand signed by the Mayor or Deputy Mayor and Commissioner or General Manager, Corporate Services.
- Capital Projects
  - No capital project overruns are to be incurred until Council is informed and additional funding is allocated to the project.
- Funding to Charitable/Not for Profit Organizations Policy
  - The County shall not make any charitable donations directly to the residents of the County or other charitable/not for profit organizations except for: grants provided under Grant Policies or grants provided through the annual budgeting process.
- Purchasing Process
  - Development of the procurement policy will be completed once procurement cards are implemented at the County.

## Utility Financial Policy

- Utilities Self Balancing
  - The County sets fees and user charges for each utility fund at a level that fully supports the total direct and indirect cost of the utility.
- Water and Wastewater Funds
  - Any annual surpluses from the County's utility operations will be transferred to their respective utility reserves at year-end as part of the County's effort to establish funding for the ongoing replacement and addition of utility infrastructure.
  - If a utility function experiences a deficit, it will be funded by a transfer from a utility reserve.

## Long-Term Debt

- Borrowing Bylaw
  - A bylaw must be authorized by County Council prior to any external borrowing. A borrowing bylaw must be approved prior to commencing construction or acquisition.
  - Proceeds from long term debt will not be used in support of ongoing operations.
  - Any borrowing shall not exceed the legislated debt limit for the County as set out in Section 252 of the Municipal Government Act.
- Borrowing Terms
  - The length of debt will not exceed the useful life of the underlying asset.
  - *Borrowing terms on taxation supported debentures are to be limited to 5 years maximum for equipment; 10 years maximum on roads and 15 years maximum on bridges and utilities.*
- Internal Borrowing
  - The County may utilize internal loans rather than external borrowing to meet its capital funding requirements. Internal loans will be permitted only if an analysis of the affected fund indicates excess funds are available and the use of these funds will not impact the funds intended use. The prevailing interest rate in effect from the Alberta Capital Finance Authority will be paid on these loans.

- Early Repayment of Debt
  - The County takes advantage of opportunities to retire outstanding debt early where financial analysis suggest cost savings, and where funds are available to accommodate early retirement.
- Local Improvement
  - Where applicable, the County will use a local improvement levy to fund payments on long-term debt incurred to finance local improvements.
- Other Borrowings
  - Where County Council authorizes a borrowing bylaw on behalf of others, a ¼% administrative charge may be added to the then prevailing Alberta Capital Finance Authority rate.

## Investments

- Investment Policy
  - The County will invest public funds in accordance with the County Council approved investment policy. The policy is designed to invest public funds in a manner which will maintain the safety of investment principal, meet daily cash flow requirements, and provide competitive investment returns. The County investment policy & practices conform to all Provincial Statutes and Regulations governing the investment of public funds.

## Reserves

- Reserve Policy
  - The County has established specific reserves to provide for emergent financial needs, to stabilize tax rates, to set aside funds for the replacement of existing equipment, facilities and future projects.
  - The County recognizes that the ongoing commitment of funds to specific reserves provides for property tax stabilization, contingency funding and reduces the need for debt financing.
  - County Council will approve the establishment and purpose of reserves, the closure of reserves that are no longer required and the transfer of funds to and from reserves through the annual budget process or by Council resolution.

- Reserves will be reviewed on an annual basis to determine their adequacy and a report will be prepared to Council highlighting the target balances compared to existing balances.
- County Council will authorize the allocation of operating surpluses to reserves in a manner consistent with achieving the Strategic Plan direction and objectives.

## Accounting, Auditing & Financial Reporting

- Annual Financial Statements
  - The County must prepare annual financial statements by May 1<sup>st</sup> for the immediately preceding year in accordance with the generally accepted accounting principles for municipal governments recommended from time to time by the Canadian Institute of Chartered Accountants.
  - The annual financial statements shall include a Financial Statement Discussion and Analysis section to clearly explain and highlight information underlying the fiscal plan. The information is intended to enhance the users' understanding of the County's financial operations – allowing them to make more informed decisions and judgements, and enabling the County to demonstrate its accountability for the resources entrusted to it.
- Auditors Report
  - The County's auditor must report to County Council on the Annual Financial Statements and the Financial Information Return each year.

## Risk Management

- Risk Management Policy
  - The County will work towards the active control and reduction of insurance and other risk-related costs.
  - The County will provide the reasonable assurance of uninterrupted municipal operations and delivery of services to community stakeholders.
  - The County will develop procedures to ensure the prevention of losses arising from damage to community assets and liability claims.



## Growth and Development

- Growth Policy
  - Off-site levies will be used to recover the costs of growth to minimize the financial burden of the growth on existing ratepayers.
  - Certain projects can proceed in the advance of collection of off-site levies subject to the availability funds/financing. The County has limited resources and cannot meet all offsite infrastructure front-end needs. The County will need to prioritize residential or non-residential areas for front ending.
  - The operating costs associated with new growth will be identified in the operating budget and compared to new assessment generated by growth with impacts to existing ratepayers quantified where possible.