



Council Meeting

Jubilee Centre Council Chamber
9909 Franklin Avenue, Fort McMurray

Tuesday, May 08, 2012
6:00 p.m.

Agenda

Call To Order

Opening Prayer

Adoption of Agenda

Minutes of Previous Meetings

1. Regular Meeting - April 24, 2012

Delegations

2. Rachel Gosse, Deloitte & Touche LLP, re: 2011 External Audit of Consolidated Financial Statements Summary Presentation

Those individuals in attendance at the meeting will be provided with an opportunity to address Council regarding an item on the agenda, with the exception of those items for which a Public Hearing is required or has been held. Consistent with all delegations, each presentation will be allowed a maximum of five minutes.

Business Arising from Delegation

3. 2011 Consolidated Financial Statements

Bylaws

4. Bylaw No. 12/014– 2012 Property Tax Rate Bylaw
- 2nd and 3rd readings

Reports

5. 2012 – 2014 Fiscal Management Strategy
6. By-Election 2012

Reporting - Boards and Committees

Adjournment

Unapproved Minutes of a Meeting of the Council of the Regional Municipality of Wood Buffalo held in the Council Chamber at the Municipal Offices in Fort McMurray, Alberta, on Tuesday, April 24, 2012, commencing at 6:00 p.m.

Present: M. Blake, Mayor
D. Blair, Councillor
L. Flett, Councillor
S. Germain, Councillor
D. Kirschner, Councillor
P. Meagher, Councillor
J. Stroud, Councillor
A. Vinni, Councillor

Absent: M. Allen, Councillor
D. Scott, Councillor
R. Thomas, Councillor

Administration: G. Laubenstein, Chief Administrative Officer
S. Kanzig, Chief Legislative Officer
L. Kotyk, Recorder/Legislative Assistant

Call To Order

Mayor Blake called the meeting to order at 6:03 p.m.

Opening Prayer

Mayor Blake invited those so inclined to join her in prayer.

The Mayor acknowledged the absence of Councillor R. Thomas, due to participation in a theatre event. She also acknowledged the current leave of absence of Councillors D. Scott and M. Allen.

Adoption of Agenda

Moved by Councillor P. Meagher that the agenda be amended to add Community Identification Committee Recommendations – Roadways in Parsons Creek Phase 1A, Blocks 3 and 5A as item number 7; and

That the agenda be adopted as amended.

CARRIED UNANIMOUSLY

Minutes of Previous Meetings

1. Regular Meeting - April 10, 2012

Moved by Councillor P. Meagher that the minutes of the Council Meeting held on April 10, 2012 be approved as presented.

CARRIED UNANIMOUSLY

Delegations

Jim Rogers, resident, came forward to comment on the proposed Bylaw No. 12/008 - Roads and Transportation Bylaw Amendment. He expressed concern regarding the bylaw, and questioned whether it could regulate a reduction in both truck traffic and vehicle speed on Draper Road.

Moved by Councillor P. Meagher that the presentation made by Jim Rogers regarding Bylaw No. 12/008 be accepted as information.

CARRIED UNANIMOUSLY

Exit

Councillor D. Kirschner declared a potential pecuniary interest in relation to Agenda Item Nos. 2 and 3 and exited the Chamber at 6:10 p.m.

Public Hearings and Related Reports

- 2. Fort McMurray Regional Airport Area Structure Plan**
- Bylaw No. 12/009 - Fort McMurray Regional Airport ASP
 - Bylaw No. 12/010 - Highway 69/Clearwater River Valley ASP Amendment
 - Bylaw No. 12/011 - Land Use Bylaw Amendment

Moved by Councillor P. Meagher that Council move into a Public Hearing regarding Bylaw No. 12/009, Bylaw No. 12/010, and Bylaw No. 12/011.

CARRIED UNANIMOUSLY

Peter Apostolakos, Planning and Development Department provided an introduction regarding the proposed Fort McMurray Regional Airport Area Structure Plan and related Bylaws. Mr. Apostolakos noted that the plan aligns with the Municipal Development Plan, and administration supports the development.

Scott Clements, Fort McMurray Airport Authority, Pankaj Nalavde, ParioPlan, and Armin A. Preiksaitis, ParioPlan, provided an opening statement regarding the proposed Fort McMurray Airport Area Structure Plan. It noted that expansion of infrastructure at the airport is required to accommodate increased usage and that April,

2013 is the targeted opening for the proposed expansion.

Mr. John Hersey, resident, made a presentation regarding the Fort McMurray Airport Area Structure Plan. He communicated that he would like confirmation that full disclosure has been made regarding the expansion, and that no oil processing facility will be part of the proposed area structure plan.

Moved by Councillor P. Meagher that Council close the Public Hearing regarding the Bylaw No. 12/009, Bylaw No. 12/010, Bylaw No. 12/011.

CARRIED UNANIMOUSLY

The Public Hearing for Bylaw Nos. 12/009, 12/010 and 12/011 was held between 6:12 p.m. and 6:39 p.m.

Moved by Councillor P. Meagher that Bylaw No. 12/009, being the Fort McMurray Regional Airport Area Structure Plan, be read a second time.

CARRIED UNANIMOUSLY

Moved by Councillor P. Meagher that Bylaw No. 12/009, be read a third and final time.

CARRIED UNANIMOUSLY

Moved by Councillor A. Vinni that Bylaw No. 12/010, being an amendment to the Highway 69/Clearwater River Valley Area Structure Plan, be read a second time.

CARRIED UNANIMOUSLY

Moved by Councillor A. Vinni that Bylaw No. 12/010, be read a third and final time.

CARRIED UNANIMOUSLY

Moved by Councillor J. Stroud that Bylaw No. 12/011, being an amendment to the Land Use Bylaw, be read a second time.

CARRIED UNANIMOUSLY

Moved by Councillor J. Stroud that Bylaw No. 12/011, be read a third and final time.

CARRIED UNANIMOUSLY

Exit

Councillor Meagher declared a potential pecuniary interest in relation to agenda item no. 3 and exited the chamber at 6:49 p.m.

3. Bylaw No. 12/012 – Land Use Bylaw Amendment – City Centre Area Redevelopment Plan Special Area: Downtown Major Redevelopment Zone

Moved by Councillor A. Vinni that Council move into a Public Hearing regarding Bylaw No. 12/012.

CARRIED UNANIMOUSLY

Carol Theberge, Community Development, and **Samuel Alatorre, Planning and Development**, provided an introduction regarding Bylaw No. 12/012. They outlined that the proposed Bylaw has been the subject of a community consultation process which started in March, 2012. The proposed Bylaw supports the City Centre Area Redevelopment Plan, and aligns with the Municipal Development Plan. Administration supports the proposed Bylaw.

Peter Stevenson, Citium Group, provided a presentation to Council regarding Bylaw 12/012, and queried the provisions within the proposed Bylaw for non-conforming buildings.

Jim Rogers, resident, spoke in support of the proposed Bylaw.

Blair Martin, Romspen Investment Corporation, spoke in support of the proposed Bylaw No. 12/012, and commented that future development downtown will present a positive investment opportunity.

Michael Durocher, resident, spoke in support of Bylaw No. 12/012, and commented that it will present an opportunity for the further development of Arts and Culture infrastructure in the region, and create a foundation for a vibrant downtown.

Nick Saunders, Fort McMurray Chamber of Commerce, commented that the development will need to be diverse, and that limiting vehicle traffic could impede existing businesses in the downtown area. He also raised the subject of non-conforming buildings, and provision, within the Bylaw for their refurbishment.

Cheryl Cooper, resident, spoke in support of the Bylaw.

Joan Furber, on behalf of seniors, spoke in support of the Bylaw.

Bryan Lutes, Urban Development Institute, Wood Buffalo, discussed both Gold Certification within buildings and non-conforming buildings.

Ian Dirom, resident, also raised the provisions for non-conforming buildings. He also suggested that a citizen's advisory committee could be set up as part of the process.

Melliz Neha, resident, mentioned that as a member of the youth population in Fort McMurray, he is in support of the proposed Bylaw. He raised the question of whether it is possible to implement a Light Rail Train (LRT) system in Fort McMurray as part of

the transit system to the downtown core. He also raised the issue of safety downtown at night for youth.

Moved by Councillor A. Vinni that Council close the public hearing regarding Bylaw No. 12/012.

CARRIED UNANIMOUSLY

The Public Hearing for Bylaw No. 12/012 was held between 6:50 p.m. and 8:24 p.m.

A recess occurred between 8:23 p.m. and 8:40 p.m.

The following motion was presented by Councillor S. Germain: "That Bylaw No. 12/012, being an amendment to the Land Use Bylaw specific to the Downtown Major Redevelopment Zone and the general regulations as outlined in the City Centre Area Redevelopment Plan, be read a second time". The following amendments were put forward by Councillor A. Vinni.

Moved by Councillor A. Vinni:

- THAT Section 9.6.1.1.1 be deleted and replaced with the following:

"Enlargements and additions to a Residential Building, that constitute less than 5% of the Building or 100m² in Gross Floor Area, whichever is greater, provided that such additions do not result in an increase in the number of Dwellings within the Building or on the Site;" and

That Section 9.6.1.1.2 be deleted and replaced with the following:

- "Enlargements and additions to a non-Residential Building, that constitute less than 5% of the Building or 100m² in Gross Floor Area, whichever is greater."

CARRIED UNANIMOUSLY

Moved by Councillor A. Vinni that Section 9.6.2.2 be deleted and replaced with the following:

- “.2 The Development Authority shall not allow a variance to the minimum Site size except as set out in this section. The Development Authority may allow a variance of up to 33% reduction to the minimum Site size required to achieve the maximum Floor Area Ratio set out in the City Centre Floor Area Ratio Map, if the Development meets all of the following criteria:

- .1 The Development meets all of the requirements set out in section 9.10 Downtown Major Redevelopment Zone Development Standards, or section 9.11 Franklin Avenue Re-Urbanization Zone Development Standards as applicable to the Site; and
- .2 At least one corner of the Site is located at the intersection of two Public Roads; and
- .3 A minimum Setback of 10 metres is provided between the Tower and the Lot line adjacent to another Site.”

CARRIED UNANIMOUSLY

Moved by Councillor A. Vinni that Section 9.16.2.1 (d) be deleted and replaced with the following:

“d. Notwithstanding the foregoing, sections 9.16.2.1(a) and 9.16.2.1(b) do not apply to:

- i. The Lots within the Downtown Primary Office Employment Area on the lands bounded by Hardin Street, Franklin Avenue, Haineault Street, and Highway 63, if the primary use on the Ground Floor, and the Storey above the Ground Floor, continues to be Retail Commercial, Retail Commercial Large Format, or Food and Beverage Commercial, and these uses form part of a Shopping Centre.
- ii. Buildings existing at the date of adoption of this Part 9.
- iii. Buildings on Sites that, because of their size, are allowed a Maximum Floor Area Ratio of 2.0.”

CARRIED UNANIMOUSLY

Moved by Councillor S. Germain that Bylaw No. 12/012 be read, a second time, as amended.

CARRIED UNANIMOUSLY

Moved by Councillor J. Stroud that Bylaw No. 12/012, be read a third and final time.

CARRIED UNANIMOUSLY

Return

Councillors D. Kirschner and P. Meagher returned to the Chamber at 9:02 p.m.

4. Bylaw No. 12/013 – Land Use Bylaw Amendment – City Centre Area Redevelopment Plan Special Area: Franklin Avenue Re-urbanization Zone, Neighbourhood Stabilization Zone and Recreation Zone

Moved by Councillor P. Meagher that Council move into a public hearing for Bylaw No. 12/013.

CARRIED UNANIMOUSLY

Carol Theberge, Community Development, and **Samuel Alatorre, Planning and Development** provided an introduction regarding Bylaw No. 12/013, noting that it is supported by Administration.

Cheryl Cooper, resident, spoke in support of the Bylaw.

Jim Rogers, resident, noted that opportunities for community gardens, a boat launch, workshop and garage space in residential developments should be considered in relation to development following the proposed Bylaw.

Moved by Councillor D. Blair that Council close the public hearing regarding Bylaw No. 12/013.

CARRIED UNANIMOUSLY

The Public Hearing for Bylaw No. 12/013 was held between 9:03 p.m. and 9:21 p.m.

Moved by Councillor P. Meagher that Bylaw No. 12/013, being an amendment to the Land Use Bylaw specific to the Franklin Avenue Re-urbanization Zone, Neighbourhood Stabilization Zone, and Recreation Zone as outlined in the City Centre Area Redevelopment Plan, be read a second time.

CARRIED UNANIMOUSLY

Moved by Councillor P. Meagher that Bylaw No. 12/013, be read a third and final time.

CARRIED UNANIMOUSLY

Bylaws**5. Bylaw No. 12/008 – Roads and Transportation Bylaw Amendment**

Glen Smith, Parks and Public Works, William Lyons, Facility Services and Rene Wells, RCMP/Bylaw Services, provided an introduction regarding Bylaw No. 12/008 - Roads and Transportation Bylaw Amendment.

Moved by Councillor J. Stroud that Bylaw No. 12/008, being an amendment to the Roads and Transportation Bylaw, be read a second time.

CARRIED UNANIMOUSLY

Moved by Councillor J. Stroud that Bylaw No. 12/008, be read a third and final time.

CARRIED UNANIMOUSLY

6. Bylaw No. 12/014 – 2012 Property Tax Rate Bylaw

Moved by Councillor P. Meagher that the 2012 Operating Budget be amended by decreasing transfer to Capital Infrastructure Reserve by \$1,161,011.

CARRIED UNANIMOUSLY

Moved by Councillor P. Meagher that Bylaw No. 12/014, being the 2012 Property Tax Rate Bylaw, be read a first time.

CARRIED UNANIMOUSLY

7. Community Identification Committee Recommendations - Roadways in Parsons Creek Phase 1A, Blocks 3 and 5A

Moved by Councillor S. Germain:

- That the subdivisions of Parsons Creek Phase 1A, Blocks 3 and 5A be named collectively as Heritage Ridge at Parsons Creek; and
- That the roads within Parsons Creek Phase 1A, Blocks 3 and 5A be named Heibert Bay, Dehoog Crescent, Huberman Way, MacRae Place, Nicholson Drive, and Comfort Cove.

CARRIED UNANIMOUSLY

Reporting - Boards and Committees

- MacDonald Island Park Corporation (Councillor S. Germain)
- Communities in Bloom Committee (Councillor J. Stroud)
- Municipal Census 2012, Zero Waste Initiative, Proclamation – SPCA Walk to Stop Animal Abuse, Proclamation - Victims of Crime Awareness (Mayor Blake)

Adjournment

Moved by Councillor D. Blair that the meeting be adjourned.
CARRIED UNANIMOUSLY

The meeting adjourned at 9:47 p.m.

Mayor

Chief Legislative Officer

Subject: 2011 Consolidated Financial Statements**APPROVALS:**

Glen Laubenstein, Chief Administrative Officer
Elsie Hutton, Executive Director

Administrative Recommendation:

THAT the consolidated financial statements of the Regional Municipality of Wood Buffalo for the year ended December 31, 2011 be accepted as information.

Summary:

The *Municipal Government Act* requires that every Alberta municipality prepare and submit a Financial Information Return and audited financial statements by May 1 of each year.

Background:

All subsidiary information, which includes the Regional Municipality of Wood Buffalo Library (Library), MacDonald Island Park Corporation, Wood Buffalo Housing and Development Corporation have been fully consolidated within the financial statements. Full consolidation has applied to all Part IX Corporations based on an accounting standard change effective January 1, 2010.

The Municipality's 2011 consolidated financial statements have been reviewed by Deloitte and Touche LLP and are made available to the public by way of the Council meeting and display on the municipal website. The auditors will provide their audit report upon substantial completion of their audit work which. Draft financial information has been submitted to Municipal Affairs to coincide with the deadline while taking the opportunity to present the information in a public forum.

The Municipality continues to exhibit a strong financial position as represented in the attached draft financial statements. This supports a strong foundation as we move forward with the presentation of the updated Fiscal Management Strategy.

Budget/Financial Implications:

The 2011 year ended with a transfer of \$18,597,813 to the Emerging Issues Reserve. This transfer will leave a shortfall of approximately \$10.3M to meet the maximum balance required in the Emerging Issues Reserve as provided in the Fiscal Responsibility Policy – FIN-160 approved by Council on April 26, 2011. The transfer represents 3.3% of the 2011 Approved Operating Budget. A benchmark between 1 and 3% is considered reasonable.

Rationale for Recommendation(s):

Section 276 of the Municipal Government Act requires municipalities to prepare annual financial statements for the immediately preceding year.

Attachments:

1. 2011 Consolidated Financial Statements

Consolidated Financial Statements of

**REGIONAL MUNICIPALITY
OF WOOD BUFFALO**

Year ended December 31, 2011

Consolidated Financial Statements of
REGIONAL MUNICIPALITY OF WOOD BUFFALO
Year ended December 31, 2011

Consolidated Statement of Financial Position

Consolidated Statement of Operations and Accumulated Surplus

Consolidated Statement of Change in Net Financial Assets

Consolidated Statement of Cash Flows

Notes to Consolidated Financial Statements

Schedule 1 - Consolidated Net Taxes Available for Municipal Purposes

Schedule 2 - Consolidated Government Transfers

Schedule 3 - Consolidated Sales and User Charges

Schedule 4 - Consolidated Expenses by Object

REGIONAL MUNICIPALITY OF WOOD BUFFALO**Consolidated Statement of Financial Position**

December 31, 2011, with comparative figures for 2010

| | 2011 | 2010 (Restated - Note 19) |
|---|------------------------|---------------------------------|
| Financial assets | | |
| Cash and cash equivalents | \$23,631,478 | \$64,635,605 |
| Restricted cash (Note 2) | 23,147,571 | 4,465,115 |
| Taxes and grants in lieu receivable (Note 3) | 5,324,030 | 5,965,468 |
| Trade and other receivables (Note 4) | 110,348,635 | 85,943,451 |
| Inventories held for resale (Note 5) | 66,689,619 | 71,176,504 |
| Investments (Note 6) | 763,663,148 | 835,078,699 |
| | 992,804,481 | 1,067,264,842 |
| Liabilities | | |
| Accounts payable and accrued liabilities | 141,908,292 | 130,342,919 |
| Deposit liabilities | 8,749,445 | 7,845,436 |
| Deferred revenue (Note 7) | 266,148,572 | 286,766,139 |
| Employee benefit obligations (Note 8) | 13,885,832 | 15,384,343 |
| Provision for landfill closure and post-closure obligation (Note 9) | 12,190,490 | 8,657,101 |
| Long-term debt (Note 10,11) | 456,332,345 | 478,268,140 |
| | 899,214,976 | 927,264,078 |
| Net financial assets | 93,589,505 | 140,000,764 |
| Non-financial assets | | |
| Tangible capital assets (Note 12) | 2,548,455,548 | 2,092,735,353 |
| Consumable inventories | 513,108 | 860,049 |
| Prepaid expenses | 2,411,562 | 5,357,057 |
| | 2,551,380,218 | 2,098,952,459 |
| Accumulated surplus (Note 13) | \$2,644,969,723 | \$2,238,953,223 |

Commitments and contingent liabilities (Note 14)

See accompanying notes to consolidated financial statements.

Approved by:

 Chief Financial Officer

 Chief Administrative Officer

REGIONAL MUNICIPALITY OF WOOD BUFFALO
Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2011, with comparative figures for 2010

| | Budget | 2011 | 2010 |
|---|------------------|------------------|----------------------|
| | (Unaudited) | | (Restated - Note 19) |
| Revenue: | | | |
| Net taxes available for municipal purposes (Schedule 1) | \$ 481,502,711 | \$ 480,027,699 | \$ 432,085,357 |
| Government transfers (Schedule 2) | 246,603,109 | 119,068,740 | 116,274,449 |
| Sales and user charges (Schedule 3) | 74,770,303 | 81,417,932 | 96,809,819 |
| Sales to other governments | 3,089,435 | 2,077,293 | 1,690,032 |
| Penalties and costs on taxes | 1,106,000 | 1,576,980 | 1,543,375 |
| Licenses and permits | 9,433,534 | 10,583,341 | 11,380,602 |
| Fines | 3,423,500 | 3,435,635 | 3,001,260 |
| Franchise and concession contracts | 4,622,371 | 4,598,555 | 4,582,643 |
| Returns on investments | 13,010,000 | 23,118,587 | 13,835,898 |
| Rentals | 20,647,803 | 21,332,118 | 12,612,073 |
| Transfers from local boards and agencies | - | - | 62,000 |
| Developers' agreements and levies | - | 18,549 | 5,971,414 |
| Other | 4,812,284 | 7,474,880 | 9,454,177 |
| Gain on disposal of tangible capital assets | - | 16,026,552 | 5,715,212 |
| Contributions of tangible capital assets | - | 82,082,914 | 74,558,193 |
| | 863,021,050 | 852,839,775 | 789,576,504 |
| Expenses: (Schedule 4) | | | |
| Council and other legislative | 1,942,947 | 1,468,407 | 1,299,712 |
| General administration | 82,843,674 | 77,978,117 | 65,431,304 |
| Other general government | 4,247,510 | 3,848,328 | 3,873,919 |
| Police | 32,262,471 | 31,840,651 | 27,246,249 |
| Fire | 24,019,822 | 24,700,258 | 22,430,483 |
| Disaster and emergency measures | 1,233,765 | 722,111 | 691,780 |
| Ambulance and first aid | 7,458,205 | 6,774,157 | 7,900,637 |
| Bylaws enforcement | 5,205,761 | 5,162,463 | 4,396,980 |
| Common and equipment pool | 21,117,363 | 22,855,623 | 15,682,872 |
| Roads, streets, walks, lighting | 28,073,879 | 38,785,113 | 34,119,155 |
| Public transport | 17,326,332 | 20,790,171 | 16,968,024 |
| Storm sewers and drainage | 1,162,416 | 1,950,490 | 1,695,586 |
| Water supply and distribution | 21,400,144 | 29,076,965 | 25,565,138 |
| Wastewater treatment and disposal | 18,907,636 | 27,275,505 | 22,621,189 |
| Waste management | 15,392,243 | 21,057,691 | 12,484,796 |
| Family and community support | 5,414,242 | 6,335,293 | 6,748,952 |
| Day care | 15,000 | 15,000 | 15,000 |
| Cemeteries and crematoriums | 129,477 | 112,067 | 1,429,447 |
| Land use planning, zoning and development | 14,125,574 | 12,709,267 | 11,181,775 |
| Subdivision land and development | 2,497,910 | 1,898,374 | 2,922,834 |
| Public housing operations | 38,191,787 | 40,367,077 | 45,102,050 |
| Land, housing and building rentals | 3,523,100 | 2,893,814 | - |
| Recreation boards | 2,203,335 | 1,984,947 | 1,453,902 |
| Parks and recreation | 56,207,606 | 60,679,362 | 49,883,314 |
| Culture: libraries, museums, halls | 4,356,108 | 2,415,588 | 6,159,702 |
| Other | - | 3,126,436 | 199,466 |
| Transfer of net assets (Note 20) | - | - | 52,676,161 |
| | 409,258,305 | 446,823,275 | 440,180,427 |
| Annual surplus | 453,762,745 | 406,016,500 | 349,396,077 |
| Accumulated surplus, beginning of year (Restated - Note 19) | 2,238,953,223 | 2,238,953,223 | 1,889,557,146 |
| Accumulated surplus, end of year | \$ 2,692,715,968 | \$ 2,644,969,723 | \$ 2,238,953,223 |

See accompanying notes to consolidated financial statements.

REGIONAL MUNICIPALITY OF WOOD BUFFALO
Consolidated Statement of Change in Net Financial Assets

Year ended December 31, 2011, with comparative figures for 2010

| | Budget | 2011 | 2010 |
|---|------------------|----------------|----------------------|
| | (Unaudited) | | (Restated - Note 19) |
| Annual surplus | \$ 453,762,745 | \$ 406,016,500 | \$ 349,396,077 |
| Acquisition of tangible capital assets | 918,601,817 | (428,773,602) | (262,275,102) |
| Contributions of tangible capital assets | - | (82,082,914) | (74,558,193) |
| Gain on disposal of tangible capital assets | - | (16,026,552) | (5,715,212) |
| Amortization of tangible capital assets | - | 48,390,556 | 39,496,011 |
| Proceeds on disposal of tangible capital assets | - | 22,772,317 | 5,996,520 |
| | 1,372,364,562 | (49,703,695) | 52,340,101 |
| Use of consumable inventories | - | 346,941 | 225,410 |
| Use (acquisition) of prepaid expenses | - | 2,945,495 | (4,017,357) |
| Increase (decrease) in net financial assets | 1,372,364,562 | (46,411,259) | 48,548,154 |
| Net financial assets, beginning of year | 140,000,764 | 140,000,764 | 91,452,610 |
| Net financial assets, end of year | \$ 1,512,365,326 | \$ 93,589,505 | \$ 140,000,764 |

See accompanying notes to consolidated financial statements.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Consolidated Statement of Cash Flows

Year ended December 31, 2011, with comparative figures for 2010

| | 2011 | 2010 |
|--|----------------|----------------------|
| | | (Restated - Note 19) |
| Cash provided by (used in): | | |
| Operating: | | |
| Annual surplus | \$ 406,016,500 | \$ 349,396,077 |
| Items not involving cash and cash equivalents: | | |
| Contributions of tangible capital assets | (82,082,914) | (74,558,193) |
| Gain on disposal of tangible capital assets | (16,026,552) | (5,715,212) |
| Amortization of tangible capital assets | 48,390,556 | 39,496,011 |
| Transfer of net assets | - | 52,676,161 |
| Change in non-cash assets and liabilities: | | |
| Restricted cash | (18,682,456) | (2,247,404) |
| Taxes and grants in lieu receivable | 641,438 | (1,982,274) |
| Trade and other receivables | (24,405,184) | 29,247,979 |
| Inventories for resale | 4,486,885 | (965,859) |
| Accounts payable and accrued liabilities | 11,565,373 | 6,305,245 |
| Deposit liabilities | 904,009 | (1,223,182) |
| Deferred revenue | (20,617,567) | 32,249,160 |
| Employee benefit obligations | (1,498,511) | 3,021,566 |
| Provision for landfill closure and post closure costs | 3,533,389 | (2,316,885) |
| Consumable inventories | 346,941 | 225,410 |
| Prepaid expenses | 2,945,495 | (4,017,357) |
| Cash provided by operating transactions | 315,517,402 | 419,591,243 |
| Capital: | | |
| Proceeds on disposal of tangible capital assets | 22,772,317 | 5,996,520 |
| Acquisition of tangible capital assets | (428,763,307) | (262,275,102) |
| Cash applied to capital transactions | (405,990,990) | (256,278,582) |
| Investing: | | |
| Decrease (increase) in investments | 71,415,551 | (306,489,075) |
| Cash applied to investing transactions | 71,415,551 | (306,489,075) |
| Financing: | | |
| Long-term debt issued | 24,530,041 | 201,744,172 |
| Long-term debt repaid | (46,476,131) | (32,645,232) |
| Cash provided by financing transactions | (21,946,090) | 169,098,940 |
| Decrease (increase) in cash and cash equivalents during the year | (41,004,127) | 25,922,526 |
| Cash and cash equivalents, beginning of year | 64,635,605 | 38,713,079 |
| Cash and cash equivalents, end of year | \$ 23,631,478 | \$ 64,635,605 |

See accompanying notes to consolidated financial statements.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

Year ended December 31, 2011

The Regional Municipality of Wood Buffalo (the Municipality) is a municipality in the Province of Alberta, Canada and operates under the provisions of the Municipal Government Act, R.S.A., 2000, c.M-26, as amended (MGA).

1. Significant accounting policies:

The consolidated financial statements of the Municipality are prepared by management in accordance with Canadian public sector accounting standards. Significant accounting policies adopted by the Municipality are as follows:

(a) Reporting entity:

(i) Consolidated entities

The consolidated financial statements reflect the assets, liabilities, revenues, expenses and accumulated surplus, of the reporting entity. The reporting entity is comprised of entities whose operations and assets are under the control of the Municipality. In addition to general municipal tax supported operations, they include:

Regional Municipality of Wood Buffalo Library
Wood Buffalo Housing & Development Corporation
MacDonald Island Park Corporation

Interdepartmental and inter-organizational transactions and balances have been eliminated.

(ii) Other boards and commissions

The Municipality is a member of various other boards and commissions that are not included in the reporting entity.

(iii) Alberta School Foundation Fund and School Boards

The schedule of net taxes available for municipal purposes includes requisitions for the Alberta School Foundation Fund and School Boards that are not part of the reporting entity.

(iv) Trust funds

Trust funds and their related operations administered by the Municipality are not included in these consolidated financial statements.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2011

1. Significant accounting policies, continued:

(b) Basis of accounting:

The Municipality follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Property tax revenue is based on market value assessments determined in accordance with the MGA. Tax mill rates are established annually. Taxation revenues are recorded at the time tax billings are issued. Assessments are subject to appeal. A provision has been recorded in accounts payable and accrued liabilities for potential losses on assessment appeals outstanding at December 31.

Government transfers are recognized in the consolidated financial statements as revenue in the period that the events giving rise to the transfer occurred, providing the transfers are authorized, any eligibility criteria have been met by the Municipality, and reasonable estimates of the amounts can be made.

Revenues for the provision of goods or services are recognized in the period in which the goods are provided or the services are rendered.

Rental income is recognized as revenue in the relevant tenancy period.

Revenues from land and building sales are recognized when title transfers and all of the rights and responsibilities of ownership have transferred.

Investment income is recorded as revenue in the period earned. When required by the funding government or related Act, investment income earned on deferred revenue is added to the investment and forms part of the deferred revenue balance.

Expenses are recognized as they are incurred and are measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

Budget information, as approved by Council, is reported on an accrual basis and is unaudited, consistent with accounting principles applied in the consolidated financial statements.

(c) Excess collections and under-levies:

Excess collections and under-levies arise from the difference between the actual levy made to cover each requisition and the actual amount requisitioned. If the actual levy exceeds the requisition, the excess collection is recorded as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is recorded as a receivable and property tax revenue is increased.

Mill-rates in a subsequent year are adjusted for any excess collections or under-levies of the prior year.

(d) Cash and cash equivalents:

Cash and cash equivalents consist of bank deposits and investments with original maturities of three months or less.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2011

1. Significant accounting policies, continued:

(e) Investments:

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on a net present value basis over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss. Cash in brokerage trading accounts is included in investments.

(f) Inventories held for resale:

Property and other inventories are recorded at the lower of cost and net realizable value. Property inventory held under equity and affordability programs which have been sold, but where revenue recognition criteria have not been met, are recorded at the lower of cost and net realizable value.

Cost is determined using specific identification. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

(g) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible capital assets

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible assets, excluding land, are amortized on a straight line basis over their estimated useful lives as follows:

| Asset | Useful Life - Years |
|----------------------------|----------------------------|
| Land improvements | 10 to 30 |
| Buildings and improvements | 5 to 50 |
| Engineered structures | 10 to 75 |
| Machinery and equipment | 4 to 25 |
| Vehicles | 5 to 15 |

Annual amortization is charged at 50% in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

(ii) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

(iii) Works of art and cultural and historic assets

Works of art and cultural and historic assets are not recorded as tangible capital assets in these consolidated financial statements.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2011

1. Significant accounting policies, continued:

(g) Non-financial assets (continued):

(iv) Capitalization of costs

The Municipality does not capitalize interest costs associated with the acquisition or construction of tangible capital asset with the exception of direct costs relating to certain rental properties under development. Direct costs include carrying costs such as property taxes, interest on debt specifically related to the properties and other costs. General and administrative indirect overhead expenses are not allocated and capitalized to properties.

(v) Leases

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

(vi) Consumable inventories

Consumable inventories are recorded at the lower of cost and replacement cost.

(h) Landfill closure and post-closure obligation

The *Alberta Environmental Protection and Enhancement Act* sets out the regulatory requirements to properly close and maintain all landfill sites. Under environmental law, there is a requirement for closure and post-closure care of solid waste landfill sites. The estimated costs relating to this requirement are being accrued over the estimated remaining life of the landfill site based on usage.

The reported obligation may be affected by changes and factors such as the estimated total expenditures, regulatory requirements, inflation, and interest rates. Due to the inherent uncertainty involved in making such estimates and assumptions, actual costs reported in future periods could differ from those estimates.

(i) Employee future benefits

The costs of multi-employer defined benefit pension plan benefits such as Local Authorities Pension Plan ("LAPP") and APEX pension plans are the employer's contributions to the plan in the period. Health and dental benefits are provided on an administrative services only basis. The Municipality is responsible for the employer share of benefit premiums throughout the year as well as any shortfall or surplus at the end of the period.

(j) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the period.

Actual results could differ from those estimates.

Management has used estimates to determine employee benefit obligations, landfill closure and post closure costs, accrued liabilities, provisions for tax assessment appeals, tangible capital asset useful lives as well as provisions made for allowances for taxes and other receivables and inventories.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2011

2. Restricted cash:

Restricted cash is comprised of security deposits received from tenants in the amount of \$898,679 (2010-\$810,809) held in trust accounts that bear interest at the Royal Bank of Canada prime rate less 1.9% (2010-1.9%), restricted replacement reserves in the amount of \$1,830,416 (2010-\$1,328,029), Lodge Funds restricted for purchase and maintenance of Rotary House and other projects in the amount of \$1,113,644 (2010-\$982,280), capital grant funds to support the development of affordable housing units in Parsons Creek in the amount \$738,402 (2010-\$730,000), rent supplement funds payable to Alberta Housing & Urban Affairs in the amount of \$360,194 (2010-\$613,997), and proceeds from the Province of Alberta related to the Hawthorne Heights project of \$18,206,236 (2010 - nil) which are restricted as per an amended Hawthorne Heights conditional grant funding agreement and are to be used for a future development project.

Under the terms of the mortgage agreements with the Royal Bank of Canada, the Municipality deposits 4% of the gross income of the related properties into the restricted replacement reserves account. This amount is reserved for major capital repairs. Withdrawals require prior approval by the Royal Bank of Canada following submission of paid invoices for approved major capital repairs.

3. Taxes and grants in lieu receivable:

| | 2011 | 2010 |
|--------------------------------------|---------------------|---------------------|
| Current | \$ 4,980,224 | \$ 4,827,081 |
| Arrears** | 885,594 | 1,266,209 |
| | <u>5,865,818</u> | <u>6,093,290</u> |
| Less allowance for doubtful accounts | 541,788 | 127,822 |
| | <u>\$ 5,324,030</u> | <u>\$ 5,965,468</u> |

** levies which were imposed prior to January 1, 2011

4. Trade and other receivables:

| | 2011 | 2010 |
|----------------------|-----------------------|----------------------|
| Government transfers | \$ 32,937,201 | 59,668,476 |
| GST recoverable | 13,761,302 | 6,341,921 |
| Utility receivables | 4,094,980 | 4,047,542 |
| Developer charges | 20,633,010 | 1,997,648 |
| Other receivables | 38,922,142 | 13,887,864 |
| | <u>\$ 110,348,635</u> | <u>\$ 85,943,451</u> |

The allowance for doubtful accounts for trade and other receivables is \$1,553,708 (2010-\$1,738,809). The above amounts are net of any related doubtful accounts balances.

5. Inventories for resale:

| | 2011 | 2010 |
|--|----------------------|----------------------|
| Inventories for resale | \$ 232,662 | \$ 238,041 |
| Property inventory: | | |
| Taiganova Eco Industrial Park | 2,627,198 | 8,249,052 |
| Other properties under development | 3,659,374 | 42,373,488 |
| Held under equity and affordability programs | 60,170,385 | 20,315,923 |
| | <u>\$ 66,689,619</u> | <u>\$ 71,176,504</u> |

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2011

6. Investments:

| | 2011 | | 2010 | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | Carrying Value | Market Value | Carrying Value | Market Value |
| Cash | \$ 8,166,039 | \$ 8,166,039 | \$ 7,528,275 | \$ 7,528,275 |
| Bankers acceptances, notes and bonds | 88,297,346 | 88,302,050 | 84,320,882 | 84,447,725 |
| Mortgages and notes receivable | 7,805,221 | 7,805,221 | 3,237,434 | 3,237,434 |
| Government and government guaranteed bonds | 232,672,525 | 239,400,913 | 332,284,644 | 333,353,104 |
| Corporate bonds and debentures | 408,734,855 | 411,953,611 | 386,253,592 | 389,339,750 |
| Mutual Funds | 15,355,446 | 16,295,252 | 19,384,145 | 19,389,821 |
| Accrued interest | 2,631,716 | 2,631,716 | 2,069,727 | 2,069,727 |
| | \$ 763,663,148 | \$ 774,554,802 | \$ 835,078,699 | \$ 839,365,836 |

Bankers acceptances, notes and bonds have maturities of less than one year and stated interest rates from 1.250% to 2.150% (2010-Average of 1.068%).

The mortgages and notes receivable include housing affordability loans, bearing interest at rates ranging from nil % to 6% per annum, compounded semi-annually, payable in monthly instalments of interest only, repayable when the borrower sells the property, secured by vendor take back mortgages on land and buildings and market appreciation guarantees. In addition, mortgages and notes receivable includes home equity loans which are non interest bearing, without monthly repayment terms, with principal repayable when the borrower sells the property, secured by vendor take back mortgages on land and buildings and market appreciation guarantees. Further, mortgages and notes receivable includes demand promissory notes receivable and second mortgages receivable bearing interest at nil % to 6% per annum, with monthly repayment terms representing a 25 year amortization period, secured by land and buildings.

The mortgages and notes receivable bear interest at stated interest rates between nil % and 6%, depending on the level of family income of the mortgage and note holders and have market of interest on same or similar instruments between 6% and 8% and are all assumed to have a 25 year amortization period. The mortgages and notes receivable are carried at amortized cost less impairment which is determined to be the present value of contractual future payments of principal and interest, discounted at market rates of interest on the same or similar instruments at the time of inception. Under the various agreements, the Municipality effectively provides an annual subsidy to the mortgage and note holders representing the difference between a fair market value interest rate on the mortgages and notes receivable between 6% and 8% and the amount of interest actually received from the mortgage and note holders. The Municipality records this difference each year as an increase to returns on investments. The interest subsidy added to returns on investments during the year was \$168,111 (2010-\$165,449).

Government and government guaranteed bonds, bearing interest at stated average interest rates from 1.399% to 6.500% (2010-1.441% to 8.231%).

Corporate bonds and debentures, bearing interest at stated average interest rates from 1.531% to 11.800% (2010-0.110% to 9.74%).

The market value of certain investments fluctuates with changing market interest rates. The carrying value of certain investments has not been written down to market value because management has concluded, based on a review of market information for these investments, there is no obvious indication of significant impairment that is other than temporary.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2011

7. Deferred revenue:

| | 2011 | 2010 (Restated - Note 19) |
|---|-----------------------|---------------------------------|
| <u>Government transfers</u> | | |
| Operating: | | |
| Community Housing Plan Grant | \$ 1,582,908 | \$ 183,396 |
| Rent Supplement Program Grant | 472,680 | 749,943 |
| Marshall House Grant | 134,095 | 522,640 |
| Alberta Housing & Urban Affairs | 123,139 | 203,618 |
| Sustainable Remote Housing Grant | 106,920 | 111,960 |
| Other Grants | 529,783 | 388,665 |
| RCMP Grant | 256,512 | 254,704 |
| | <u>3,206,037</u> | <u>2,414,926</u> |
| Capital: | | |
| Community Development Plan (1) | 100,640,331 | 166,178,618 |
| Alberta Municipal Infrastructure Program (2) | 8,657,707 | 12,761,587 |
| Alberta Municipal Sponsorship Grant | 112,355 | 144,768 |
| Alberta Municipal Sustainability Initiative Grant (3) | 17,719,664 | 25,391,445 |
| Alberta Infrastructure Transportation Grant (4) | 6,790,493 | 3,264,764 |
| New Deal for Cities and Communities Grant (5) | 5,830,592 | 4,873,323 |
| Western Economic Diversification Canada (6) | - | 427,103 |
| Alberta Affordable Housing Initiative | 46,189,089 | 44,110,000 |
| Provincial Grant South Police Centre & Cell Block (7) | 9,154,694 | - |
| Strategic Transportation Infrastructure Grant (8) | 4,763,063 | - |
| | <u>199,857,988</u> | <u>257,151,608</u> |
| | <u>203,064,025</u> | <u>259,566,534</u> |
| <u>Other</u> | | |
| Corporate Donations and Naming Rights | 666,667 | 1,532,453 |
| Rights Holder Agreements (9) | 1,692,800 | 1,777,600 |
| Deferred Property Sales (10) | 57,007,211 | 22,125,830 |
| Lifetime golf and fitness memberships | 1,013,248 | 1,095,270 |
| Other | 2,704,621 | 668,452 |
| | <u>63,084,547</u> | <u>27,199,605</u> |
| | <u>\$ 266,148,572</u> | <u>\$ 286,766,139</u> |

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2011

7. Deferred revenue, continued:

(1) The Municipality has entered into an agreement with the Province of Alberta to service the development of Crown Lands known as Parsons Creek and Saline Creek Plateau. To facilitate this servicing, for residential and other purposes, a grant totalling \$192,420,000 was provided by the Province. The Municipality received a grant allocation of nil, (2010 - \$97,420,000) and recognized \$67,185,809 (2010-\$21,296,374) as government transfers. The Municipality allocated interest in the amount of \$1,647,522 (2010-\$1,188,523).

(2) The Provincial government introduced the Alberta Municipal Infrastructure Program (AMIP) in 2005 to assist municipalities in addressing capital infrastructure needs. The Municipality recognized \$4,234,420 (2010-\$4,169,830) as government transfers. The Municipality allocated interest on the unspent grant in the amount of \$130,540 (2010-\$98,938). This program terminated in 2009.

(3) In 2007, the Provincial government introduced the Municipal Sustainability Initiative (MSI) program to assist municipalities with managing growth pressures, provide sustainable funding and support infrastructure needs. In 2011, the Municipality received \$18,061,319 (2010-\$17,379,589) and recognized \$25,863,786 (2010-\$7,842,620) as government transfers. The Municipality allocated interest on the unspent grant in the amount of \$130,686 (2010-\$118,867). Based on a pre-established formula and budget availability, the Municipality will receive an annual grant allocation until 2016. The Province has committed a total of \$219,500,697 over the term of this agreement.

(4) The Alberta Infrastructure Transportation Grant provides annual cost-shared financial assistance to cities for developing and implementing safe and effective roadway network and transportation systems. In 2011, the Municipality received \$4,101,466 (2010-\$4,065,726) and recognized \$605,470 (2010-\$3,831,225) as government transfers. The Municipality allocated interest on the unspent grant in the amount of \$29,733 (2010-\$20,024).

(5) The New Deal for Cities and Communities (NDCC) program assists municipalities in addressing their sustainable municipal capital infrastructure needs. Funding is received through the allocation of the federal gasoline tax to Alberta municipalities. In 2011, the Municipality received \$5,012,918 (2010-\$5,012,918) and recognized \$4,083,961 (2010-\$7,199,212) as government transfers. The Municipality allocated interest on the unspent grant in the amount of \$28,312 (2010-\$33,490). This grant program has been extended to 2013 and the Municipality will receive an additional \$5,012,918 each year from 2011 to 2013 under the terms of this agreement.

(6) In 2009, the Municipality received a \$1,000,000 grant from the Government of Canada (Western Economic Diversification Canada) for the construction of portable roof structures for four rural outdoor rinks. \$427,103 (2010-\$81,056) was recognized as government transfers.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2011

7. Deferred revenue, continued:

(7) The Municipality entered into an agreement with the Alberta Government in 2011 to contribute \$10,000,000 towards the cost of the construction and development of a new Wood Buffalo South Police Facility. During 2011, the Municipality received a grant of \$10,000,000 and recognized \$915,132 as government transfers. The Municipality allocated interest in the amount of \$69,826.

(8) The Municipality entered into an agreement with the Alberta Government to undertake the maintenance and construction of the Fort MacKay Bridge Replacement project. The Municipality received \$5,645,000 in 2011. The Municipality recognized \$925,394 as government transfers. The Municipality allocated interest in the amount of \$43,457.

(9) In exchange for contributions received totalling \$2,120,000 from certain entities within the Municipality, the Municipality granted rights holders the right to refer tenants for certain vacant units in apartment projects owned by the Municipality for a period of 25 years. The Municipality has the sole right to accept or reject the proposed tenants based on the Municipality's pre-established criteria. The rights holders have first right of refusal to certain vacant units and if there is no proposed or accepted tenant, the rights holder can lease the unit for a one year term so that the unit remains available for a future referred tenant, subject to acceptance by the Municipality's acceptance criteria. If there is no proposed or accepted tenant, and the rights holder does not exercise its option to lease the unit, then the Municipality can lease the unit to another tenant for a one year lease. The rights holders can assign or sell its rights under the agreements and have the right to both terminate the agreements and have the right of first refusal to renew the agreements after 25 years under new terms and conditions. Should the Municipality commit an act of default under the agreements, the contributions become repayable. The agreements do not convey any interest in land buildings to the rights holders and regular monthly rental payments are required under any unit rented.

(10) Deferred property sales represent the cash, mortgages and notes, net of discounting, received as consideration by the Municipality relating to properties under certain housing equity and affordability programs. The housing equity and affordability program agreements include certain market appreciation guarantees which establish the final amount to be paid to the Municipality once the mortgage and note holders sell or otherwise convey an interest in the the underlying properties. The amount to be paid to the Municipality, whether at the option of the mortgage and note holder, or as a result of sale, is the original principal amount of the note and mortgage receivable, plus a percentage of the increased market value of the property less any interest previously paid to the Municipality. During the year, the Municipality recognized \$7,040,775 (2010-\$3,381,281) in revenue relating to the sales of certain properties. As the ultimate selling price of the properties is uncertain and substantially all of the rights and responsibilities of ownership of the properties have not been transferred at the end of the year, the Municipality has not recognized revenue related to these sales. The properties are reflected as part of property inventory held under equity and affordability programs and related revenues have been deferred and will be recognized when there is greater certainty as to the ultimate proceeds.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2011

8. Employee benefit obligations:

| | 2011 | 2010 |
|---|----------------------|----------------------|
| Accrued vacation pay and overtime liability | \$ 7,335,522 | \$ 7,020,184 |
| Accrued salary and benefits | 6,550,310 | 8,364,159 |
| | <u>\$ 13,885,832</u> | <u>\$ 15,384,343</u> |

(a) Vacation and overtime

The vacation and overtime liability is comprised of the vacation and overtime that employees are deferring to future years. Employees have either earned the benefits (and are vested) or are entitled to these benefits within the next budgetary year.

(b) Local Authorities Pension Plan

Employees of the Municipality participate in the LAPP, which is covered by the Alberta Public Sector Pension Plans Act. LAPP serves approximately 200,000 employees and approximately 400 employer organizations such as municipalities, hospitals and schools (non-teachers). It is financed by employer, employee and Government of Alberta contributions and investment earnings of the LAPP Fund.

The Municipality is required to make current service contributions to LAPP of 9.49% (2010-9.06%) of an employees' pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings and 13.13% (2010-12.53%) for the excess. Employees of the Municipality are required to make current service contributions of 8.49% (2010-8.06%) of pensionable salary up to the year's maximum pensionable salary and 12.31% (2010-11.53%) on pensionable salary above this amount. Contributions for current service are recorded as expenditures in the year in which they become due.

Total current service contributions by the Municipality to LAPP were \$10,112,901 (2010-\$9,584,421).

Total current service contributions by the employees of the Municipality to LAPP in 2011 were \$11,021,097 (2010-\$8,679,946).

The LAPP reported a deficiency for the overall plan as at December 31, 2010 of \$4,635,250,000.

Information as at December 31, 2011 was not available at the time of preparing these consolidated financial statements.

(c) APEX Supplementary Pension Plan

The APEX Supplementary Pension Plan, an Alberta Urban Municipality Association (AUMA) sponsored defined benefit pension plan covered under the provisions of the Alberta Employment Pension Plans Act, commenced on January 1, 2003 and provides supplementary pension benefits to a prescribed class of employees (approximately 91 beneficiaries). The plan supplements the Local Authorities Pension Plan.

Contributions are made by the prescribed class of employees and the Municipality. Employees and the Municipality are required to make current service contributions to APEX of 2.5% and 3% respectively of pensionable earnings up to \$127,611.

Total current service contributions by the Municipality to APEX in 2011 were \$325,550 (2010-\$276,396).

Total current service contributions by the employees of the Municipality were \$272,660 (2010-\$230,336).

The cost of post-retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of salary and benefit escalation, and retirement age of employees. The cost of post retirement benefits is fully funded.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2011

8. Employee benefit obligations, continued:

(d) Other employee benefit plans

Basic Life, accidental death and dismemberment, short term disability, long term disability, extended health, dental and vision benefits are fully funded by the Municipality. The Municipality's contributions are expensed to the extent that they do not relate to discretionary reserves. The Municipality accrues its obligations for employee non-pension future benefits.

The Municipality sponsors certain employee registered and non-registered retirement plans, which are funded through employee and/or employer contributions.

(e) Employee housing initiative - designated housing units

On February 14, 2006, a designated housing unit program was established by the Municipality. Under this program, a specified number of rental units (18) are provided for exclusive use by employees of the Municipality to assist with transitional housing needs.

The program is for new employees requiring transitional housing, or in unique cases, for an existing employee where affordable housing cannot be secured by the employee within the Municipality. The designated rental units are allocated as per the qualifying incomes of the employees as determined by the Municipality. Units are allocated based on merit and employees enter into short term lease agreements for the rental of the designated rental units at an agreed upon monthly rental cost. The employee is responsible for the monthly rental cost and any required damage deposit.

Shared rental accommodation is also available for up to six months through several houses currently rented by the Municipality.

(f) Employee housing initiative - home equity protection program

On February 14, 2006, a home equity protection program was established by the Municipality. Under this program, any employee approved for participation in the program will be compensated by the Municipality in an amount equal to any loss in value of the employee's principal residence between the date of the employee's approval for participation in the program and the date of sale of the principal residence by the employee. Existing employees of the Municipality were eligible to join the program until June 30, 2007. After June 30, 2007, only new employees of the Municipality are eligible to join.

Employees who are approved for participation in the program become eligible for payment under the program after the employee has completed three years of uninterrupted permanent employment with the Municipality. If an employee ceases to be an employee of the Municipality within the three year period or if an employee is not in continuous occupancy of their principal residence, they are not eligible for payment under the program.

At December 31, 2011, 219 employees were approved for participation under the program with an aggregate secured property value of \$120,089,419. Of the participating employees, 169 currently meet the eligibility requirements with a secured property value of \$88,792,084.

At December 31, 2011, no amounts have been accrued (2010 - \$nil) within the consolidated financial statements relating to this program as management is of the opinion that, based on current market conditions, no obligations exist with respect to the outstanding arrangements.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2011

9. Landfill closure and post-closure obligation:

The obligation recorded at December 31, 2011 for the landfill closure was \$12,190,490 (2010-\$8,657,101) and represents the present value of closure and post-closure costs of the Municipality's landfill sites, using assumed annual rates of 2.2% (2010- 0.70%) for inflation and discount rates of 3.193% (2010- 4.085%).

The closing of existing facilities involves contouring the site to promote positive drainage to minimize leachate production, site slope reduction to prevent excessive erosion and cap damage and covering the site with low permeability clay to prevent water infiltration followed by application of topsoil and vegetation. Estimates are based on the current closure plan developed for and approved by Alberta Environment. Post closure activities are expected to occur for 25 years and will involve surface and ground water monitoring, landfill cover maintenance and erosion management as per Alberta Environment standards.

As of the end of 2011 there are 5 sites that are currently closed. Two of these sites, being Janvier and Conklin, were closed in late 2011. The Fort Mackay site is currently being re-closed following the identification of post closure damage to the site. Additional accruals have been provided in 2011 to remediate the damages.

The Fort McMurray site completed operations in early 2011 and closure activities will be completed in 2012 and 2013. Increases in obligation costs are expected with the introduction of landfill gas management technologies at the Fort McMurray site, in keeping with the Municipal Development Plan.

The Fort Chipewyan and the Fort McMurray Regional landfill are currently the only open landfill sites within the Regional Municipality of Wood Buffalo. The Fort Chipewyan site, which has approximately 1% capacity or less than a year's life is scheduled to be closed in June 2012. The 2011 accrued obligations for this site have been increased to reflect the inclusion of a geomembrane within the Fort Chipewyan site in 2012 as part of the closure plan. The new Fort Chipewyan landfill is scheduled to begin operations in June 2012.

The Fort McMurray Regional landfill site came into operation during early 2011 and has existing capacity of 98% with an estimated life of 80 years.

REGIONAL MUNICIPALITY OF WOOD BUFFALO
Notes to Consolidated Financial Statements, continued

Year ended December 31, 2011

10. Long-term debt:

| | 2011 | 2010 |
|--|-----------------------|-----------------------|
| Municipal debt: | | |
| Capital leases supported by general tax levies (i) | \$ 33,363 | \$ 225,697 |
| Debentures supported by general tax levies (ii) | 213,326,426 | 222,258,928 |
| Debentures supported by utility rates (ii) | 148,935,748 | 154,774,429 |
| | <u>362,295,537</u> | <u>377,259,054</u> |
| Controlled organizations debt: | | |
| Capital leases (iii) | 141,697 | 198,850 |
| Demand loans - operating (iv) | - | 10,203,077 |
| Demand loans - capital (iv) | 17,236 | 7,911,495 |
| Long-term debt (v) | <u>93,877,875</u> | <u>82,695,664</u> |
| | <u>94,036,808</u> | <u>101,009,086</u> |
| | <u>\$ 456,332,345</u> | <u>\$ 478,268,140</u> |

Municipal debt

(i) The Municipality has entered into capital lease agreements for vehicles. The payments on principal and interest in the next two years are as follows:

| | Principal | Interest | Total |
|------|------------------|-----------------|------------------|
| 2012 | \$ 8,006 | \$ 1,457 | \$ 9,463 |
| 2013 | 25,357 | 908 | 26,265 |
| | <u>\$ 33,363</u> | <u>\$ 2,365</u> | <u>\$ 35,728</u> |

Interest on capital leases in 2011 amounted to \$9,903 (2010 - \$26,390).

Implicit interest has been calculated at rates ranging from 4.25% to 8.95% (2009 - 0.50% to 8.95%) on the outstanding balances.

(ii) The payments on principal and interest for debentures supported by general tax levies and utility rates for the next five years and thereafter are as follows:

| | Principal | Interest | Total |
|------------|-----------------------|-----------------------|-----------------------|
| 2012 | \$ 14,918,872 | 17,081,932 | 32,000,804 |
| 2013 | 15,096,057 | 16,334,452 | 31,430,509 |
| 2014 | 15,226,273 | 15,584,137 | 30,810,410 |
| 2015 | 15,765,539 | 14,828,724 | 30,594,263 |
| 2016 | 15,703,651 | 14,055,713 | 29,759,364 |
| Thereafter | 285,551,782 | 117,008,263 | 402,560,045 |
| | <u>\$ 362,262,174</u> | <u>\$ 194,893,221</u> | <u>\$ 557,155,395</u> |

Interest on long-term debt in 2011 amounted to \$17,683,453 (2010 - \$12,372,682).

Debenture debt repayable to Alberta Capital Finance Authority has interest rates ranging from 2.44% to 11.75% per annum, and matures in years 2012 through 2032.

The Alberta Capital Finance Authority provided a \$136 million loan to the Municipality on June 15, 2006. Proceeds from this loan are being used to fund the Wastewater Treatment Plant project. The Province of Alberta provided a special grant to subsidize the full amount of semi-annual interest cost for the first four years on the loan. In addition, principal repayment was deferred for four years, starting in 2010.

Debenture debt is issued on the credit and security of the Municipality.

REGIONAL MUNICIPALITY OF WOOD BUFFALO
Notes to Consolidated Financial Statements, continued

Year ended December 31, 2011

10. Long-term debt, continued:

Controlled organizations' debt

(iii) The Municipality has entered into lease agreements for computer and mobile equipment. The payments on principal and interest in the next two years are as follows:

| | Total |
|------|-------------------|
| 2012 | 80,862 |
| 2013 | 73,055 |
| | \$ 153,917 |

Interest on capital leases in 2011 amounted to \$15,905 (2010 - \$11,536).

During the year, equipment in the aggregate amount of \$10,295 (2010 - \$242,075) was purchased by means of capital leases, of which \$10,295 was financed.

Implicit interest has been calculated at rates ranging from 0% to 15.45% (2010 - 0% to 15.45%) on the outstanding balances.

(iv) Demand loans are comprised of a revolving demand loan with interest at the cost of funds plus 1.5% supporting the development of property inventory for resale, a revolving demand loan at prime rate plus 3.0% supporting construction in progress, and a revolving demand loan at a fixed rate of 5.06%. The demand loans have no established repayment terms or due dates. The prime rate as at December 31, 2011 was 3.0% (2010 - 3.0%).

(v) Long-term debt is comprised of Royal Bank of Canada commercial mortgages with interest rates ranging from 3.49% to 5.074%, payments of \$536,800 per month including principal and interest, maturities from November 1, 2012 to March 1, 2022, with land and buildings pledged as collateral.

Contractual principal repayments of long term debt over the next 5 years and thereafter are as follows:

| | Principal | Interest | Total |
|------------|----------------------|----------------------|-----------------------|
| 2012 | \$ 2,309,880 | \$ 4,301,773 | \$ 6,611,653 |
| 2013 | 2,413,456 | 4,112,080 | 6,525,536 |
| 2014 | 2,521,754 | 4,082,418 | 6,604,172 |
| 2015 | 2,634,990 | 3,964,872 | 6,599,862 |
| 2016 | 2,753,393 | 2,841,746 | 5,595,139 |
| Thereafter | 81,244,402 | 56,231,879 | 137,476,281 |
| | \$ 93,877,875 | \$ 75,534,768 | \$ 169,412,643 |

The long term debt is also collateralized by property and equipment and a general assignment of rents, leases and sales proceeds, deposits and all other payments on the housing projects.

Interest on demand loans and long-term debt in 2011 amounted to \$3,730,409 (2010 - \$2,905,374).

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2011

11. Debt and debt service limits:

Section 276(2) of the *Municipal Government Act* requires that debt and debt service limits as defined by Alberta Regulation 255/2000 (the Regulation) for the Municipality be disclosed as follows:

Debt Limit

| | 2011 | 2010 |
|--------------------------------------|-----------------------|-----------------------|
| Maximum allowable debt | \$ 1,220,870,356 | \$ 1,082,278,430 |
| Total municipal debt (Note 10) | 362,295,537 | 377,259,054 |
| Amount of total debt limit available | <u>\$ 858,574,819</u> | <u>\$ 705,019,376</u> |
| Percentage used | 29.68% | 34.86% |

Debt service limit

| | | |
|--|-----------------------|-----------------------|
| Maximum allowable debt service | \$ 213,652,312 | \$ 189,142,896 |
| Annual payments on existing municipal debt | 32,010,267 | 32,790,631 |
| Amount of service on debt limit available | <u>\$ 181,642,045</u> | <u>\$ 156,352,265</u> |
| Percentage used | 14.98% | 17.34% |

The debt limit is calculated at 2.0 times revenue of the Municipality (as defined in the Regulation as amended by Ministerial Order L:038/06) and the debt service limit is calculated at 0.35 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs.

Pursuant to section 6(1) of the Regulation, the Municipality has elected to exclude revenues, total debt and debt service costs for certain controlled corporations from its debt limit and debt service limit calculations. The controlled corporations that have been excluded are Wood Buffalo Housing & Development Corporation, MacDonald Island Park Corporation and Regional Municipality of Wood Buffalo Library.

The Municipality's Debt Management Policy (amended July 13, 2010) has an established debt and debt service limit of 75% of the Municipal Government Act and regulation limits.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2011

12. Tangible capital assets:

| | Land | Land Improvements | Buildings and Improvements | Engineered Structures | Machinery and Equipment | Vehicles | Construction in Progress | 2011 |
|---|---------------|-------------------|----------------------------|-----------------------|-------------------------|---------------|--------------------------|------------------|
| COST: | | | | | | | | |
| <i>Balance, Beginning of Year (restated - Note 19)</i> | \$233,587,495 | \$ 33,917,335 | \$ 449,113,768 | \$ 1,316,384,876 | \$ 40,931,142 | \$ 49,945,538 | \$384,171,331 | \$ 2,508,051,485 |
| Acquisition of tangible capital assets | 75,246,420 | 16,365,001 | 43,331,892 | 44,640,742 | 11,647,682 | 11,612,320 | 308,012,459 | 510,856,516 |
| Disposal of tangible capital assets | (5,594,619) | - | (579,026) | - | (373,052) | (2,042,043) | - | (8,588,740) |
| <i>Balance, End of Year</i> | \$303,239,296 | \$ 50,282,336 | \$ 491,866,634 | \$ 1,361,025,618 | \$ 52,205,772 | \$ 59,515,815 | \$692,183,790 | \$ 3,010,319,261 |
| ACCUMULATED AMORTIZATION: | | | | | | | | |
| <i>Balance, Beginning of Year</i> | \$ - | \$ 11,252,482 | \$ 34,236,881 | \$ 332,883,228 | \$ 17,008,535 | \$ 19,935,006 | \$ - | \$ 415,316,132 |
| Annual amortization | - | 2,026,730 | 10,421,825 | 25,638,262 | 4,431,300 | 5,872,439 | - | 48,390,556 |
| Accumulated amortization on disposals | - | - | (43,157) | - | (369,412) | (1,430,406) | - | (1,842,975) |
| <i>Balance, End of Year</i> | \$ - | \$ 13,279,212 | \$ 44,615,549 | \$ 358,521,490 | \$ 21,070,423 | \$ 24,377,039 | \$ - | \$ 461,863,713 |
| NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS, End of Year | \$303,239,296 | \$ 37,003,124 | \$ 447,251,085 | \$ 1,002,504,128 | \$ 31,135,349 | \$ 35,138,776 | \$692,183,790 | \$ 2,548,455,548 |

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2011

12. Tangible capital assets, continued:

| | Land | Land Improvements | Buildings and Improvements | Engineered Structures | Machinery and Equipment | Vehicles | Construction in Progress | 2010 |
|---|----------------|-------------------|----------------------------|-----------------------|-------------------------|---------------|--------------------------|----------------------|
| | | | | | | | | (Restated - Note 19) |
| COST: | | | | | | | | |
| <i>Balance, Beginning of Year</i> | \$ 214,323,176 | \$ 27,221,994 | \$ 235,312,899 | \$ 1,012,664,699 | \$ 31,159,034 | \$ 41,854,534 | \$ 611,264,277 | \$ 2,173,800,613 |
| Acquisition of tangible capital assets | 19,353,042 | 6,695,341 | 213,800,869 | 303,720,177 | 10,197,041 | 8,439,507 | (227,092,946) | 335,113,031 |
| Disposal of tangible capital assets | (88,723) | - | - | - | (424,933) | (348,503) | - | (862,159) |
| <i>Balance, End of Year</i> | \$ 233,587,495 | \$ 33,917,335 | \$ 449,113,768 | \$ 1,316,384,876 | \$ 40,931,142 | \$ 49,945,538 | \$ 384,171,331 | \$ 2,508,051,485 |
| ACCUMULATED AMORTIZATION: | | | | | | | | |
| <i>Balance, Beginning of Year</i> | \$ - | \$ 9,840,542 | \$ 26,596,978 | \$ 311,170,144 | \$ 13,371,635 | \$ 15,421,673 | \$ - | \$ 376,400,972 |
| Annual amortization | - | 1,411,940 | 7,639,903 | 21,713,084 | 3,892,108 | 4,838,976 | - | 39,496,011 |
| Accumulated amortization on disposals | - | - | - | - | (255,208) | (325,643) | - | (580,851) |
| <i>Balance, End of Year</i> | \$ - | \$ 11,252,482 | \$ 34,236,881 | \$ 332,883,228 | \$ 17,008,535 | \$ 19,935,006 | \$ - | \$ 415,316,132 |
| NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS, End of Year | \$ 233,587,495 | \$ 22,664,853 | \$ 414,876,887 | \$ 983,501,648 | \$ 23,922,607 | \$ 30,010,532 | \$ 384,171,331 | \$ 2,092,735,353 |

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2011

12. Tangible capital assets (continued):

a) Assets under construction

Assets under construction having a value of \$692,183,790 (2010 - \$384,171,331) have not been amortized. Amortization of these assets will commence when the assets are put into service.

b) Contributed tangible capital assets

Contributed capital assets have been recognized at fair market value at the date of contribution. The value of contributed assets received during the year is \$82,082,914 (2010 - \$74,558,193).

c) Tangible capital assets disclosed at nominal values

Where an estimate of fair value could not be made, tangible capital assets are recognized at a nominal value.

d) Works of art and historical treasures

The Municipality manages and controls various works of art and non-operational historical cultural assets including buildings, artifacts, paintings and sculptures located at Municipal sites and public display areas. These assets are not recorded as tangible capital assets and are not amortized.

e) Building - Edgewater Court

On April 17, 2007, an apartment building that was part of the Edgewater Court project was damaged by fire. The building had a net book value of \$8,392,186 on April 17, 2007 and amortization of the building ceased on that date. The Municipality has replacement value insurance coverage on the building, however the expected proceeds to be received are not yet determinable as reconstruction of the building was not complete at December 31, 2011. In 2007 and 2008, the Municipality's insurers paid out \$542,523 and \$272,331 respectively as a partial settlement of the Municipality's business interruption insurance claim with respect to loss of use of the building while it is being repaired.

In 2009, the Municipality entered into an arrangement with its insurers whereby the Municipality is acting on behalf of the insurers to complete certain activities relating to the building reconstruction. During the year, the insurer deposited \$829,854 (2010-\$3,098,191) into a trust account for expenses related to the reconstruction of the property. The Municipality incurred expenses related to the reconstruction which were reimbursed out of the account once appropriate expenses were submitted and approved. The amounts recovered from the insurance company have been recorded as insurance proceeds on the statement of operations with the costs incurred being recorded, where appropriate, as repair and maintenance or capital improvements related to the building. During the year, the Municipality capitalized nil (2010 - \$1,720,264). As at December 31, 2011, construction was in progress and the building was not in use. As such, it is not subject to amortization.

As at December 31, 2011, the trust account had a balance of \$31,788 (2010-\$127,516). This account is not included in the consolidated financial statements of the Municipality.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2011

13. Accumulated surplus:

| | 2011 | 2010 |
|--|------------------|-------------------------|
| | | (Restated - Note 19) |
| Operations: | | |
| Surplus - undesignated | \$ 124,538 | \$ 124,538 |
| Operating reserves: | | |
| General administration | 87,252,515 | 172,687,174 |
| Common services | 145,003 | 145,003 |
| Roads and streets | 57,231 | 57,231 |
| Municipal planning | 33,526 | 33,526 |
| Land and housing | 547 | 547 |
| Recreation | 368,554 | 357,880 |
| Urban parks | 289,777 | 289,777 |
| Regional Municipality of Wood Buffalo Library | 3,340,718 | 2,510,397 |
| Wood Buffalo Housing & Development Corporation | 54,225,966 | 51,199,378 |
| MacDonald Island Park Corporation | (465,362) | (460,153) |
| | 145,248,475 | 226,820,760 |
| Total operations | 145,373,013 | 226,945,298 |
| Capital: | | |
| Deficiency - undesignated | (104,242,148) | (43,014,590) |
| Capital reserves: | | |
| General | 493,456,347 | 413,659,197 |
| Equipment | 706,327 | 704,168 |
| Firefighting and preventive services | 154,651 | 152,959 |
| Common services | 774,064 | 765,599 |
| Roads and streets | 162,918 | 161,307 |
| Water supply | 2,045,026 | 2,042,500 |
| Sewage | 2,324,731 | 2,324,731 |
| Recreation | 7,606,715 | 7,468,656 |
| Wood Buffalo Housing & Development Corporation | 3,217,660 | 2,598,309 |
| MacDonald Island Park Corporation | 1,267,216 | 474,799 |
| | 511,715,655 | 430,352,225 |
| Invested in tangible capital assets | 2,092,123,203 | 1,624,670,290 |
| Total capital | 2,499,596,710 | 2,012,007,925 |
| Accumulated surplus | \$ 2,644,969,723 | \$ 2,238,953,223 |

Reserves are a key tool used to set aside funds to replace existing capital assets, respond to emergent needs, stabilize tax rates, and fund future capital projects. Capital reserves are substantially committed to current budgeted capital projects.

Operating and capital reserves related to the Regional Municipality of Wood Buffalo Library, Wood Buffalo Housing & Development Corporation and MacDonald Island Park Corporation are dedicated for those entities and are not available for general use by the Municipality.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2011

14. Commitments and contingent liabilities:

(a) Operating leases

The Municipality has entered into lease agreements for the leasing of office space and equipment until 2022. The annual lease payments in each of the following years are:

| | |
|------------|----------------------|
| 2012 | 4,098,950 |
| 2013 | 3,790,987 |
| 2014 | 3,698,100 |
| 2015 | 3,642,653 |
| 2016 | 3,577,177 |
| Thereafter | 12,081,221 |
| | <u>\$ 30,889,088</u> |

(b) Capital commitments

The 2012 Capital Budget was approved by Council on December 13, 2011 in the amount of \$376,854,951. The approved projects along with a number of capital projects in progress are expected to be completed in 2012.

(c) Borrowing facilities (line of credit)

Pursuant to section 256 of the Municipal Government Act and Municipal Bylaw 01/091, the Municipality is authorized to borrow from the Municipality's bank, on a revolving basis, up to \$7.5 million for the purpose of meeting current operating expenditures and obligations of the Municipality when required. At December 31, 2011, the Municipality had authorized the line of credit available from its bank in the amount of \$7.5 million. At year end, no amounts were drawn against its available line of credit.

In addition, one of the Municipality's subsidiaries entered into a banking agreement that includes a revolving demand credit facility available in the amount of \$250,000 which bears interest at prime. At December 31, 2011, no amounts were drawn against this facility.

(d) Development agreements

Developers have entered into agreements with the Municipality in the amount of approximately \$64 million and are committed to installing and constructing certain works to serve the development of lands within the Municipality. The Municipality has taken security from developers in the form of deposit liabilities in the amount of \$5,916,411 (2010 - \$6,933,072) and letters of credit in the amount of \$38,003,236 to ensure performance by the developers under the agreements.

(e) Contingent liabilities

The Municipality is defendant in various lawsuits as at December 31, 2011. Where the occurrence of future events is considered likely to result in a loss with respect to an existing condition, and the amount of loss can be reasonably estimated, amounts have been included in accrued liabilities. Where the resulting losses, if any, cannot be determined or the occurrence of future events is unknown, amounts have not been recorded, and the Municipality's administration believes there will be no material adverse effect on the financial position of the Municipality.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2011

15. Salary and benefits disclosure:

Disclosure of salaries and benefits for elected municipal officials, the chief administrative officer and designated officer by Alberta Regulation 313/2000 is as follows:

| | Salary (1) | Benefits and Allowances (2,3) | Total 2011 | Total 2010 |
|-----------------------------------|---------------------|-------------------------------------|---------------------|---------------------|
| Mayor Blake (4) | \$ 121,404 | \$ 22,269 | \$ 143,673 | \$ 126,918 |
| Ward 1 | | | | |
| Councillor Allen | 35,752 | 10,187 | 45,939 | 38,759 |
| Councillor Germain | 35,752 | 11,162 | 46,914 | 39,197 |
| Councillor Kirschner | 35,752 | 13,748 | 49,500 | 6,664 |
| Councillor Meagher | 35,752 | 13,097 | 48,849 | 41,337 |
| Councillor Scott | 35,752 | 13,748 | 49,500 | 6,626 |
| Councillor Thomas | 35,752 | 13,783 | 49,535 | 6,626 |
| Ward 2 | | | | |
| Councillor Blair | 35,752 | 11,111 | 46,863 | 39,158 |
| Councillor Flett | 35,752 | 9,065 | 44,817 | 37,163 |
| Ward 3 | | | | |
| Councillor Vinni | 35,752 | 13,106 | 48,858 | 6,270 |
| Ward 4 | | | | |
| Councillor Stroud | 35,752 | 11,454 | 47,206 | 6,527 |
| Former | | | | |
| Councillor Byron | - | - | - | 35,710 |
| Councillor Clarkson | - | - | - | 41,491 |
| Councillor Janvier | 3,673 | 175 | 3,848 | 31,876 |
| Councillor Rebus | - | - | - | 39,070 |
| Councillor Vyboh | - | - | - | 44,350 |
| Chief Administrative Officers (4) | | | | |
| Current | 480,221 | 48,644 | 528,865 | 62,861 |
| Former | | | - | 876,438 |
| Designated Officer | 218,951 | 44,558 | 263,509 | 261,404 |
| | \$ 1,181,769 | \$ 236,107 | \$ 1,417,876 | \$ 1,748,444 |

(1) Salary includes regular base pay, lump sum payments, gross honoraria and any other remuneration.

(2) Employer's share of all employee benefits and contributions or payments made on behalf of employees including retirement pension, Canada Pension Plan (CPP), Employment Insurance (EI), health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short term disability plans, professional memberships and tuition.

(3) Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, travel and car allowances.

(4) An automobile is provided and no amount is included in the benefits and allowances figure.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2011

16. Segment disclosures:

The Municipality provides a wide range of services to its ratepayers. Segment disclosures are intended to enable users to better understand the government reporting entity and the major expense and revenue activities of the Municipality. For each reported segment, revenues and expenses represent amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis.

During the year, the Municipality reviewed the segments presented and changed the segments to more appropriately reflect the Municipality's operations. Information related to 2010 was not reasonably determinable. 2010 segment disclosures have been presented in the same basis as presented in the December 31, 2010 consolidated financial statements.

The segments have been selected based on a presentation similar to that adopted for the municipal financial planning and budget processes. Segments include:

- (i) **Fiscal Services** provides financial and purchasing services for the Municipality.
- (ii) **General Government** consists of corporate administration and general municipal services for the Municipality.
- (iii) **Protective Service** is comprised of police, traffic safety, bylaw enforcement, fire rescue and ambulance services.
- (iv) **Transportation** includes bus, roadway and parking services.
- (v) **Environmental Use and Protection** delivers services consisting of collection, processing and disposal of residential and non-residential waste and recyclables, underground services, water and wastewater treatment, as well as community relation services in support of waste management programs.
- (vi) **Public Health and Welfare** provides family and community support services along with cemeteries.
- (vii) **Planning and Development** is comprised of the Community Development Planning branch, the Comprehensive Planning branch and the Implementation branch
- (viii) **Recreation and Culture** develops initiatives to provide opportunities and support in the areas of arts heritage and culture, and in recreation and sport and leisure.
- (ix) **Subsidiary entities** - including the Wood Buffalo Housing & Development Corporation, MacDonald Island Park Corporation and the Regional Municipality of Wood Buffalo Library.

The accounting policies used in the segment disclosures are consistent with those followed in the preparation of the consolidated financial statements (note 1).

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2011

16.

| | Fiscal Services | General Government | Protective Service | Transportation | Environmental Use and Protection | Public Health and Welfare | Planning and Development | Recreation and Culture | Subsidiary Entities | 2011 | 2010 |
|---|-----------------|--------------------|--------------------|-----------------|----------------------------------|---------------------------|--------------------------|------------------------|---------------------|----------------|----------------------|
| | | | | | | | | | | | (Restated - Note 19) |
| Revenue: | | | | | | | | | | | |
| Net taxes available for municipal purposes | \$ 477,654,215 | \$ - | \$ - | \$ 174,712 | \$ 159,282 | \$ - | \$ - | \$ - | \$ 2,039,490 | \$ 480,027,699 | \$ 432,085,357 |
| Government transfers | - | 106,540,603 | 8,270,510 | 188,813 | 1,939 | 1,531,687 | 230,242 | 32,455 | 2,272,491 | 119,068,740 | 116,274,449 |
| Sales and user charges | - | 2,390,126 | 2,444,163 | 3,130,455 | 44,252,326 | 40,864 | 490,226 | 392,337 | 28,277,435 | 81,417,932 | 96,809,819 |
| Sales to other governments | - | - | 205,597 | - | 1,871,696 | - | - | - | - | 2,077,293 | 1,690,032 |
| Penalties and costs on taxes | 1,228,812 | 192,076 | - | - | 156,092 | - | - | - | - | 1,576,980 | 1,543,375 |
| Licenses and permits | - | 746,444 | 45,940 | 4,915 | - | - | - | 285 | - | 10,583,341 | 11,380,602 |
| Fines | - | 144,565 | 3,228,017 | - | - | - | - | - | 63,053 | 3,435,635 | 3,001,260 |
| Franchise and concession contracts | 4,625,246 | (26,691) | - | - | - | - | - | - | - | 4,598,555 | 4,582,643 |
| Returns on investments | - | 22,134,011 | - | - | - | 442 | - | 9,367 | 974,767 | 23,118,587 | 13,835,898 |
| Rentals | - | 42,793 | (45) | 28,328 | - | - | 261,029 | 17,386 | 20,982,627 | 21,332,118 | 12,612,073 |
| Transfers from local boards and agencies | - | - | - | - | - | - | - | - | - | - | 62,000 |
| Developers' agreements and levies | - | 1,723 | - | 16,826 | - | - | - | - | - | 18,549 | 5,971,414 |
| Other | 10,443 | 1,276,814 | 269,940 | 2,529 | 820,453 | 286,400 | 1,505,918 | 348,896 | 2,953,487 | 7,474,880 | 9,454,177 |
| Gain on disposal of tangible capital assets | - | 16,239,686 | - | - | - | - | - | - | (213,134) | 16,026,552 | 5,715,212 |
| Contributions of tangible capital assets | \$ 483,518,716 | \$ 149,682,150 | \$ 14,464,122 | \$ 13,880,468 | \$ 49,506,983 | \$ 1,859,393 | \$ 65,777,001 | \$ 800,726 | \$ 73,350,216 | \$ 852,839,775 | \$ 789,576,504 |
| Expenses: | | | | | | | | | | | |
| Salaries, wages and benefits | \$ - | \$ 48,725,625 | \$ 37,438,744 | \$ 21,909,837 | \$ 23,144,035 | \$ 3,494,601 | \$ 9,083,364 | \$ 15,879,704 | \$ 23,004,609 | \$ 182,680,519 | \$ 159,218,905 |
| Contracted and general services | - | 30,022,474 | 5,336,000 | 39,799,723 | 13,473,384 | 437,647 | 6,700,000 | 5,766,541 | 13,129,211 | 114,664,980 | 99,269,484 |
| Purchases from other governments | - | 18,393 | 19,678,732 | 480,434 | - | - | 166 | - | - | 20,177,725 | 17,576,918 |
| Materials, goods, supplies and utilities | 34,336 | 2,146,000 | 2,451,052 | 8,915,212 | 14,557,727 | 392,928 | 160,867 | 2,708,463 | 18,242,383 | 49,608,968 | 47,463,954 |
| Provision for allowances | 585,578 | 36,591 | 201,885 | - | (73,511) | - | - | 890 | 14,645 | 766,078 | 525,141 |
| Transfers to other governments | - | - | 46,367 | - | - | - | - | - | - | 46,367 | 48,519 |
| Transfers to local boards and agencies | - | - | - | - | - | - | - | - | - | 5,458,268 | 3,811,288 |
| Transfers to individuals and organizations | - | 1,434,081 | 20,000 | - | - | 2,034,191 | 250,000 | 14,641,002 | (10,656,172) | 7,723,102 | 4,195,605 |
| Bank charges and short-term interest | - | 255,079 | 970 | 398 | 6,216 | 390 | 40,000 | 38 | 191,108 | 494,199 | 330,015 |
| Interest on long-term debt | - | 567,022 | 894,869 | 771,623 | 7,883,712 | 14,201 | 1,085,281 | 6,476,649 | 3,746,313 | 21,439,670 | 15,315,982 |
| Other | 779 | 59,574 | 668,677 | (368,773) | (2,173) | 82,926 | 3,506 | (178,405) | - | 266,111 | 252,444 |
| Loss on disposal of tangible capital assets | - | - | - | - | - | - | - | - | - | - | - |
| Amortization of tangible capital assets | - | 2,535,759 | 2,462,344 | 12,872,944 | 18,420,771 | 5,476 | 180,117 | 6,316,568 | 5,596,577 | 48,390,556 | 39,496,011 |
| Transfer of net assets (Note 20) | \$ 620,693 | \$ 85,800,598 | \$ 69,199,640 | \$ 84,381,398 | \$ 77,410,161 | \$ 6,462,359 | \$ 17,503,301 | \$ 57,069,719 | \$ 48,597,828 | \$ 446,823,275 | \$ 440,180,427 |
| Annual surplus (deficiency) | \$ 482,898,023 | \$ 63,881,552 | \$ (54,735,518) | \$ (70,500,930) | \$ (27,903,178) | \$ (4,602,966) | \$ 48,273,700 | \$ (56,268,993) | \$ 24,752,388 | \$ 406,016,500 | \$ 349,396,077 |

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2011

16. Segment disclosures (continued):

| | 2010 | | | |
|---|----------------------------|---------------------------|------------------------|-------------------------|
| | Municipal Tax Supported | Public Works Utilities | Subsidiary Entities | Total |
| | | | | (Restated - Note 19) |
| Revenue: | | | | |
| Net taxes available for municipal purposes | \$ 430,678,993 | \$ - | \$ 1,406,364 | \$ 432,085,357 |
| Government transfers | 39,914,951 | 45,538,622 | 30,820,876 | 116,274,449 |
| Sales and user charges | 19,696,730 | 27,690,313 | 49,422,776 | 96,809,819 |
| Sales to other governments | 218,657 | 1,471,375 | - | 1,690,032 |
| Penalties and costs on taxes | 1,421,670 | 121,705 | - | 1,543,375 |
| Licenses and permits | 11,380,602 | - | - | 11,380,602 |
| Fines | 3,001,260 | - | - | 3,001,260 |
| Franchise and concession contracts | 4,582,643 | - | - | 4,582,643 |
| Returns on investments | 11,810,400 | 1,381,836 | 643,662 | 13,835,898 |
| Rentals | 228,915 | - | 12,383,158 | 12,612,073 |
| Transfers from local boards and agencies | 62,000 | - | - | 62,000 |
| Developers' agreements and levies | 5,971,414 | - | - | 5,971,414 |
| Other | 4,311,899 | 21,016 | 5,121,262 | 9,454,177 |
| Gain on disposal of tangible capital assets | 5,649,824 | - | 65,388 | 5,715,212 |
| Contributions of tangible capital assets | 47,078,240 | 27,479,953 | - | 74,558,193 |
| | 586,008,198 | 103,704,820 | 99,863,486 | 789,576,504 |
| Expenses: | | | | |
| Salaries, wages and benefits | 126,780,043 | 13,639,021 | 18,799,841 | 159,218,905 |
| Contracted and general services | 80,546,675 | 4,096,815 | 14,625,994 | 99,269,484 |
| Purchases from other governments | 17,576,918 | - | - | 17,576,918 |
| Materials, goods, supplies and utilities | 16,555,915 | 8,418,518 | 22,489,521 | 47,463,954 |
| Provision for allowances | 360,560 | 139,721 | 24,860 | 525,141 |
| Transfers to other governments | 48,519 | - | - | 48,519 |
| Transfers to local boards and agencies | 12,651,909 | - | (8,840,621) | 3,811,288 |
| Transfers to individuals and organizations | 4,195,605 | - | - | 4,195,605 |
| Bank charges and short-term interest | 252,436 | 3,787 | 73,792 | 330,015 |
| Interest on long-term debt | 4,483,019 | 7,916,053 | 2,916,910 | 15,315,982 |
| Other | 246,577 | 5,867 | - | 252,444 |
| Amortization of tangible capital assets | 22,026,775 | 13,631,986 | 3,837,250 | 39,496,011 |
| Transfer of net assets (Note 20) | | | 52,676,161 | 52,676,161 |
| | 285,724,951 | 47,851,768 | 106,603,708 | 440,180,427 |
| Annual surplus | \$ 300,283,247 | \$ 55,853,052 | \$ (6,740,222) | \$ 349,396,077 |

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2011

17. Budget data:

The unaudited budget data presented in these consolidated financial statements is based upon the 2011 operating and capital budgets approved by Council and its subsidiaries.

Contributions of tangible capital assets, gain (loss) on disposal of tangible capital assets, and amortization of tangible capital assets were not contemplated on development of the budget and, as such, has not been included. The table below reconciles the approved budget to the budget figures reported in these consolidated financial statements.

| | Budget Amount |
|--|----------------|
| Revenue: | |
| Operating budget | \$ 564,614,563 |
| Capital budget | 918,601,817 |
| Subsidiaries' budgets | 67,452,971 |
| Less: | |
| Transfers from other funds | 358,191,575 |
| Proceeds from issuance of long-term debt | 329,456,726 |
| Total revenue | 863,021,050 |
| Expenses: | |
| Operating budget | 564,614,563 |
| Capital budget | 918,601,817 |
| Subsidiaries' budgets | 54,276,921 |
| Less: | |
| Transfers to other funds | 193,818,662 |
| Capital expenditures | 918,601,817 |
| Long-term debt principal payments | 15,814,517 |
| Total expenses | 409,258,305 |
| Annual surplus | \$ 453,762,745 |

18. Financial instruments:

The Municipality's financial instruments consist of cash, restricted cash, taxes and grants in lieu receivable, trade and other receivables, investments, accounts payable and accrued liabilities, deposit liabilities, employee benefit obligations and long-term debt. Unless otherwise noted, the carrying value of its financial instruments approximates fair value.

It is management's opinion that the Municipality is not exposed to significant currency risks from its financial instruments. The Municipality is subject to credit risk with respect to taxes and grants in lieu receivable and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the Municipality provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk. The Municipality is subject to interest rate risk arising primarily from fluctuations in rates on its cash, investments and long-term debt.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2011

19. Correction of prior year errors:

The consolidated financial statements of the Municipality have been restated to record the prior year insurance proceeds received and related costs incurred, where appropriate, as repairs and maintenance or capital improvements related to the Edgewater Court property.

The 2010 consolidated Statement of Operations has been restated to reflect the current period gain resulting from insurance proceeds and the related expenditures for repairs and maintenance, recorded in public housing operations, the effect of which is presented below:

| | Year ended December 31, 2010 | | |
|---|------------------------------|------------|---------------|
| | As reported | Adjustment | Restated |
| Consolidated Statement of Financial Position | | | |
| Non-financial assets | | | |
| Tangible capital assets | 2,091,015,089 | 1,720,264 | 2,092,735,353 |
| Accumulated surplus | 2,254,512,959 | 1,720,264 | 2,256,233,223 |
| Consolidated Statement of Operations | | | |
| Revenue | | | |
| Other | 6,355,986 | 3,098,191 | 9,454,177 |
| Expenses | | | |
| Public housing operations | 40,510,009 | 1,377,927 | 41,887,936 |

The consolidated financial statements of the Municipality have also been restated to account for the contributions received in prior years related to Hawthorne Heights as deferred revenue instead of government transfers. During 2010 the funding agreement was amended and, as a result, the funding was to be deferred for a future capital project. The 2010 effect has been restated as presented below:

| | As at December 31, 2010 | | |
|--|-------------------------|--------------|---------------|
| | As reported | Adjustment | Restated |
| Consolidated Statement of Financial Position | | | |
| Liabilities | | | |
| Deferred revenue | 269,486,139 | 17,280,000 | 286,766,139 |
| Accumulated surplus (as above) | 2,256,233,223 | (17,280,000) | 2,238,953,223 |
| Statement of Operations and Accumulated Surplus | | | |
| Revenues | | | |
| Government transfers | 127,870,322 | (11,595,873) | 116,274,449 |
| Accumulated Surplus | | | |
| Accumulated surplus, beginning of year | 1,895,241,273 | (5,684,127) | 1,889,557,146 |

20. Transfer of net assets:

On January 1, 2010 the Municipality transferred ownership of net financial assets and liabilities of \$18,687,426 and tangible capital assets of \$33,988,735 for nominal consideration to the Fort McMurray Regional Airport Authority, an entity outside of the government reporting entity of the Municipality.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2011

21. Comparative figures:

Certain other 2010 comparative figures have been reclassified to conform with the consolidated financial statement presentation adopted in the current year.

22. Approval of financial statements:

These financial statements were approved by Management and presented to Mayor and Council.

REGIONAL MUNICIPALITY OF WOOD BUFFALO**Consolidated Net Taxes Available For Municipal Purposes**

Schedule 1

Year ended December 31, 2011, with comparative figures for 2010

| | Budget | 2011 | 2010 |
|---|-----------------------|-----------------------|-----------------------|
| | (Unaudited) | | |
| Taxation: | | | |
| Real property taxes | \$ 480,224,612 | \$ 514,932,735 | \$ 463,731,384 |
| Government grants in lieu of property taxes | 878,099 | 1,184,234 | 1,228,989 |
| Special assessments and local improvement taxes | 200,000 | 333,994 | 353,594 |
| Well drilling | 200,000 | 1,054,959 | 463,545 |
| | <u>481,502,711</u> | <u>517,505,922</u> | <u>465,777,512</u> |
| Requisitions: | | | |
| Alberta School Foundation Fund | - | 36,540,935 | 32,778,133 |
| School Boards | - | 937,288 | 914,022 |
| | - | <u>37,478,223</u> | <u>33,692,155</u> |
| Net taxes available for municipal purposes | \$ 481,502,711 | \$ 480,027,699 | \$ 432,085,357 |

See accompanying notes to consolidated financial statements.

REGIONAL MUNICIPALITY OF WOOD BUFFALO
Consolidated Government Transfers

Schedule 2

Year ended December 31, 2011, with comparative figures for 2010

| | Budget | 2011 | 2010 |
|---|-----------------------|-----------------------|-------------------------|
| | (Unaudited) | | (Restated - Note 19) |
| Federal transfers: | | | |
| Conditional shared cost agreements and grants | | | |
| - Operating | \$ 86,000 | \$ 843,838 | \$ 850,440 |
| - Capital | 14,033,977 | 399,368 | 888,529 |
| Total federal government transfers | 14,119,977 | 1,243,206 | 1,738,969 |
| Provincial transfers: | | | |
| Conditional shared cost agreements and grants | | | |
| - Operating | 17,393,280 | 15,189,413 | 17,223,840 |
| - Capital | 215,089,852 | 102,636,121 | 97,311,640 |
| Total provincial government transfers | 232,483,132 | 117,825,534 | 114,535,480 |
| Total government transfers | \$ 246,603,109 | \$ 119,068,740 | \$ 116,274,449 |

See accompanying notes to consolidated financial statements.

REGIONAL MUNICIPALITY OF WOOD BUFFALO
Consolidated Sales and User Charges

Schedule 3

Year ended December 31, 2011, with comparative figures for 2010

| | Budget | 2011 | 2010 |
|---|----------------------|----------------------|----------------------|
| | (Unaudited) | | |
| Council and other legislative | \$ 15,000 | \$ 36,307 | \$ - |
| General administration | 363,200 | 353,167 | 407,547 |
| Other general government | 15,600 | 9,493 | 137,865 |
| Police | 967,000 | 1,149,225 | 919,837 |
| Fire | 190,050 | 82,192 | 13,009 |
| Ambulance and first aid | 1,305,000 | 1,208,766 | 1,325,849 |
| Common and equipment pool | 26,153 | 96,120 | 72,859 |
| Roads, streets, walks, lighting | 1,177,514 | 1,497,014 | 1,459,192 |
| Public transport | 1,288,000 | 1,537,321 | 1,195,098 |
| Water supply and distribution | 16,908,472 | 19,069,942 | 16,823,580 |
| Wastewater treatment and disposal | 9,010,012 | 15,791,126 | 10,866,732 |
| Waste management | 6,462,660 | 9,391,259 | 7,997,343 |
| Family and community support | - | 11,504 | 8,936 |
| Cemeteries and crematoriums | 20,423 | 29,360 | 19,469 |
| Land use planning, zoning and development | 140,000 | 490,226 | 172,729 |
| Public housing operations | 25,089,983 | 19,512,494 | 46,937,922 |
| Recreation boards | 16,361 | 10,412 | 10,787 |
| Parks and recreation | 11,774,875 | 11,142,004 | 8,441,065 |
| Total sales and user charges | \$ 74,770,303 | \$ 81,417,932 | \$ 96,809,819 |

See accompanying notes to consolidated financial statements.

REGIONAL MUNICIPALITY OF WOOD BUFFALO**Consolidated Expenses by Object**

Schedule 4

Year ended December 31, 2011, with comparative figures for 2010

| | Budget | 2011 | 2010 |
|--|-----------------------|-----------------------|-------------------------|
| | (Unaudited) | | (Restated - Note 19) |
| Salaries, wages and benefits | 188,188,209 | \$ 182,680,519 | \$ 159,218,905 |
| Contracted and general services | 113,002,053 | 114,664,980 | 99,269,484 |
| Purchases from other governments | 22,387,136 | 20,177,725 | 17,576,918 |
| Materials, goods, supplies and utilities | 55,214,085 | 49,608,968 | 47,463,954 |
| Provision for allowances | 260,610 | 766,078 | 525,141 |
| Transfers to other governments | 1,432,017 | 46,367 | 48,519 |
| Transfers to local boards and agencies | 568,300 | 565,000 | 3,811,288 |
| Transfers to individuals and organizations | 3,302,602 | 7,723,102 | 4,195,605 |
| Bank charges and short-term interest | 699,962 | 494,199 | 330,015 |
| Interest on long-term debt | 18,898,303 | 21,439,670 | 15,315,982 |
| Amortization of tangible capital assets | 4,836,330 | 48,390,556 | 39,496,011 |
| Subsidiary operation (discontinued) | - | - | 52,676,161 |
| Other | 468,699 | 266,111 | 252,444 |
| Total expenses | \$ 409,258,305 | \$ 446,823,275 | \$ 440,180,427 |

See accompanying notes to consolidated financial statements.

Subject: Bylaw No. 12/014– 2012 Property Tax Rate Bylaw**APPROVALS:**

Glen Laubenstein, Chief Administrative Officer
Elsie Hutton, Executive Director

Administrative Recommendation:

1. THAT Bylaw No.12/014, being the 2012 Property Tax Rate Bylaw, be read a second time.
2. THAT Bylaw No.12/014, be read a third and final time.

Summary:

In accordance with the *Municipal Government Act*, the Regional Municipality of Wood Buffalo is required, annually, to pass a Property Tax Rate Bylaw for the purpose of completing the work set out in the approved Operating and Capital budgets.

Background:

A Tax Rate Bylaw establishes the rates at which various property classes are to be taxed and is calculated based on the total assessment value of all properties within each of the property classes throughout the Municipality (Urban and Rural Service Areas).

Assessment valuation methods are prescribed by the Provincial Government and vary between property types. The tax levied on all residential and commercial properties is calculated by applying the tax rate against the individual property's market value assessment as of July 1st of the previous year. Machinery and equipment and linear property are assessed based on a regulated cost approach.

Property taxes are levied to raise revenue to fund municipal expenditures and external requisitions from Alberta Education, and seniors' housing (Ayabaskaw and Rotary House). With respect to requisitions for provincial education and seniors' housing, the requisitioning authority's tax rates are calculated based on the amounts they request. In imposing this necessary tax levy, it is important to note that the Municipality simply acts as a collector of the funds and has no authority to refuse or change the amount requested by external requisitions.

A typical residential property tax notice will consist of three components: a municipal levy, an Alberta Education requisition levy, and a levy for seniors' housing. The total amount of property taxes paid will vary based on the actual assessment value, and the respective tax rate applied against the various property classes.

In order to assist with the understanding of the following 2012 Property Tax Rate recommendations, the following clarifications are provided:

- Property tax remaining tax revenue neutral simply means that the Municipality will collect the same municipal tax revenue for the 2012 tax year as it did in the 2011 tax year on properties which existed in 2011.
- The residential property tax class has experienced differing market value changes due to factors such as location influences, size, and as such, individual properties may experience differing increases or decreases in taxes.
- The other-residential property class has experienced differing market value changes due to factors such as vacancy, rents and as such, individual properties may experience differing increases or decreases in taxes.
- Market values in the non-residential property class experienced increases and decreases due to factors such as vacancy, availability, rents and as such, individual properties may experience differing increases or decreases in taxes.
- The overall total tax revenue collected for the residential, other residential and non-residential property classes for 2012 will increase relative to 2011 as a result of new properties being taxed for the first time in the 2012 taxation year. New properties are referred to as “new construction growth”.

In establishing tax rates for the 2012 Property Tax Bylaw, Administration has used the “tax revenue neutral plus new construction growth” approach for all property classes.

Estimates for additional revenue from new construction growth were incorporated into the 2012 approved Operating Budget. However, since Council approval of the 2012 Operating Budget in late 2011, taxation revenue estimates for the 2012 taxation year based on tax revenue neutral plus new construction growth approach are slightly less than anticipated.

For more information see Attachment 2 – 2012 Property Tax Rate Bylaw Questions and Answers

Budget/Financial Implications:

The 2012 property tax revenue budget was determined based on property tax revenue neutral methodology for all property classes (properties existing in 2011). At the time of developing the 2012 budget in the fall of 2011, property tax revenue from new construction growth was estimated at \$33,237,268. Estimated potential additional property tax revenue from new growth is now \$32,076,257, resulting in a reduction of \$1,161,011 from the approved 2012 budget.

The Regional Municipality of Wood Buffalo lost approximately \$9.2M in revenue for 2012 as a result of the boundary changes effected by the Province of Alberta effective January 1, 2012.

Assessment notices were sent out on March 1st, 2012 and the deadline for assessment complaints is April 30, 2012.

Rationale:

The proposed property tax rates are consistent with the previously adopted tax revenue neutral plus new construction growth strategy proposed in the 2011-2013 fiscal management strategy. The previously adopted strategy, based on current conditions and assumptions will maintain uncommitted fiscal reserves within recommended levels.

The new 2012 – 2014 fiscal management strategy has also validated that the best course of action is to proceed with the “property tax revenue neutral plus new construction growth” approach. However, funding requirements for the City Centre and Macdonald Island projects are still being determined and may require an adjustment of the 2012-2014 Fiscal Management Strategy in the future.

Attachments:

1. Bylaw No. 12/014 – 2012 Property Tax Rate Bylaw
2. 2012 Property Tax Rate Bylaw Questions and Answers.

BYLAW NO. 12/014

BEING A BYLAW OF THE REGIONAL MUNICIPALITY OF WOOD BUFFALO TO AUTHORIZE THE SEVERAL RATES OF TAXATION TO BE IMPOSED FOR THE RURAL AND URBAN SERVICE AREAS FOR THE 2012 FISCAL YEAR.

WHEREAS sections 353 and 354 of the *Municipal Government Act*, c.M-26, RSA 2000, requires that a municipality adopt a property tax bylaw annually and establishes guidelines for the setting of tax rates;

WHEREAS operating expenditures for the Regional Municipality of Wood Buffalo in the 2012 fiscal year total \$606,359,125;

WHEREAS Local Improvement Program levies total \$177,000;

WHEREAS operating revenues for the Regional Municipality of Wood Buffalo from sources other than taxation levies total \$101,644,174;

WHEREAS Section 357 (1) of the Municipal Government Act provides that the Municipal Tax Bylaw: “may specify a minimum amount payable as property tax ...” and the Regional Municipality of Wood Buffalo has resolved to establish a minimum tax;

WHEREAS the Alberta School Foundation has issued the following requisitions to the Regional Municipality of Wood Buffalo, namely:

| | | |
|------|-------------------------------|------------------|
| (i) | for residential and farm land | \$ 19,085,803.77 |
| (ii) | for non-residential | \$ 21,840,043.72 |

WHEREAS the Fort McMurray R.C.S.S.D. #32 has made the following requisitions to the Regional Municipality of Wood Buffalo, namely:

| | | |
|------|------------------------------|---------------|
| (i) | for residential and farmland | \$ 902,630.11 |
| (ii) | for non-residential | \$ 147,132.38 |

WHEREAS the Ayabaskaw House has made the following requisition to the Regional Municipality of Wood Buffalo, namely:

| | | |
|-----|------------------------|------|
| (i) | for all property types | \$ 0 |
|-----|------------------------|------|

WHEREAS the Rotary House Senior Lodge has made the following requisition to the Regional Municipality of Wood Buffalo, namely:

| | | |
|-----|------------------------|-----------------|
| (i) | for all property types | \$ 1,739,400.00 |
|-----|------------------------|-----------------|

WHEREAS Section 10 of the Order in Council No. 817-94 regarding the amalgamation of Improvement District 143 and the City of Fort McMurray, which became effective on the 1st day of April, 1995, allows the Municipality, by Bylaw, to establish different rates of taxation for the Fort McMurray Urban Service Area and the Rural Service Area for each assessment class or sub-class referred to in Section 297 of the Municipal Government Act;

WHEREAS the net annual tax levy requirements of the Regional Municipality of Wood Buffalo for 2012 are estimated to be:

MUNICIPAL PURPOSES

\$508,473,283

WHEREAS the total Regional Municipality of Wood Buffalo Rural Service Area assessment of land, buildings, and improvements from which tax levy requirements may be raised totals \$25,676,062,395;

WHEREAS the total Regional Municipality of Wood Buffalo Urban Service Area assessment of land, buildings, and improvements from which tax levy requirements may be raised totals \$16,074,161,132;

AND WHEREAS it is deemed necessary to impose several rates of taxation for the 2012, as hereinafter set out, against those properties from which the tax levy requirements may be raised;

NOW THEREFORE, the Council of the Regional Municipality of Wood Buffalo, in the Province of Alberta, duly assembled, hereby enacts, as follows:

1. THAT the Director of Assessment and Taxation shall be authorized and required to levy the rates of taxation as shown following against the assessed value of all lands, buildings, and improvements as shown upon the Municipal Assessment Roll.

EDUCATION

| | |
|----------------------------------|-----------|
| - Alberta School Foundation Fund | |
| Rural and Urban Service Area | |
| - Residential and Farmland | 0.0014190 |
| - Non-Residential | 0.0028558 |
| - Fort McMurray R.C.S.S.D. # 32 | |
| - Residential and Farmland | 0.0014190 |
| - Non-Residential | 0.0028558 |

SENIORS' FACILITIES

| | |
|------------------|-----------|
| - Ayabaskaw Home | 0 |
| - Rotary House | 0.0000417 |

MUNICIPAL PURPOSES - RURAL SERVICE AREA

| | |
|----------------------------|-----------|
| - Residential and Farmland | 0.0013067 |
| - Non-Residential | 0.0183209 |

MUNICIPAL PURPOSES - URBAN SERVICE AREA

| | |
|----------------------------|-----------|
| - Residential and Farmland | 0.0023322 |
| - Other Residential | 0.0057543 |
| - Non-Residential | 0.0053058 |

2. All properties not otherwise exempt from taxation subject to assessment shall be subject to a minimum tax of \$50.00. Where the application of the tax rates established by this Bylaw to the assessment of any taxable property would result in a total tax payable of less than \$50.00, the total tax shall be assessed at \$50.00, with the tax allocated to pay firstly the amount of Education, the Rotary House tax payable, and the balance paid and deemed to be the municipal tax payable.
3. This Bylaw shall be passed and become effective when it receives third reading and is signed by the Mayor and Chief Legislative Officer.

READ a first time this 24th day of April, A.D. 2012

READ a second time this _____ day of _____, A.D. 2012

READ a third and final time this _____ day of _____, A.D. 2012

SIGNED and PASSED this _____ day of _____, A.D. 2012

Mayor

Chief Legislative Officer

2012 Tax Rate Bylaw Questions and Answers

What do we mean by “Tax Revenue Neutral”?

Property taxes’ remaining tax revenue neutral simply means that the Municipality will collect the same tax revenue for the 2012 tax year as it did in the 2011 tax year on properties which existed in 2011. In context to the recommended 2012 Tax Rate Bylaw, residential, other residential and non-residential properties are recommended to remain tax revenue neutral. Market values in the residential property tax classes experienced differing market value decreases due to market influences. Although the Municipality is collecting the same tax revenue in 2012 from all classes of properties “which existed in 2011”, there will be both tax increases and decreases within the property classes. The overall total tax revenue collected for all property classes will increase as a result of new properties (new construction) being taxed for the first time in the 2012 taxation year.

How do property taxes in Fort McMurray compare to municipal residential taxes in other urban centers with a population of 50,000 or greater?

As of 2011 the Municipality has the 3rd lowest residential property taxes in comparison to 9 Alberta urban centers with a population of 50,000 or greater.

How do property taxes in Fort McMurray compare to municipal non-residential taxes in other urban centers with a population of 50,000 or greater?

As of 2011 the Municipality has the lowest non-residential property taxes in comparison to urban centers with a population of 50,000 or greater.

Has the Provincial Education Requisition levy (school taxes) changed?

The 2011 Provincial Education property requisition and resulting school taxes for both non-residential and residential properties has increased. For the average residential home, the 2012 school tax increase is 9.3% which translates into an \$80 increase.

Is the current property tax revenue enough to address future capital requirements?

The municipality currently has a strong financial position. Additional funding will be required in the medium term for the City Centre and MacDonald Island projects. Administration is currently evaluating optimal financing and will make recommendations to council in due course.



2012 – 2014 Fiscal Management Strategy

Presented By:

Victor Mema – Manager Financial Planning

Elsie Hutton – Chief Financial Officer

Henk van Waas – Regional Assessor

May 8, 2012



Fiscal Management Strategy (FMS)

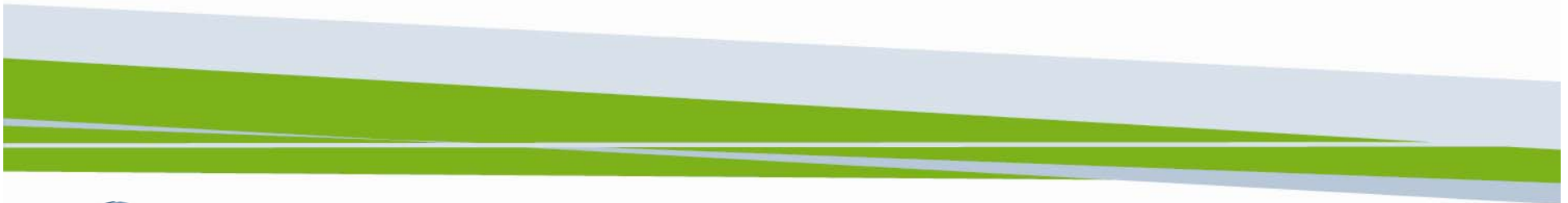
- A tool to forecast funding needs of the municipality over the next 5-7 years.
- Allows municipality to prioritize implementation of strategic plan.
- FMS covers the following areas:
 - Revenue Strategy
 - Expenditure and Debt Strategy
 - [Fiscal Stability Reserve Strategy](#)
 - Investment Strategy
 - Review of Financial Condition
- Provides context for property tax bylaw.

Fiscal Highlights 2012 - 2014

- While keeping property tax rates at 2011 levels, the Municipality will generate enough revenue to meet its current expenditure requirements.
- Emerging Issues Reserve (EIR) will be funded at above the \$50M minimum requirement over the strategy period.
- A \$252.5M uncommitted balance is projected in the Capital Infrastructure Reserve (CIR) by the end of 2015.
- Debt and debt service levels will each be below the 75% of Municipal Government Act (MGA) as set through Council policy.
- The Municipality is projected to remain fiscally sustainable and flexible.

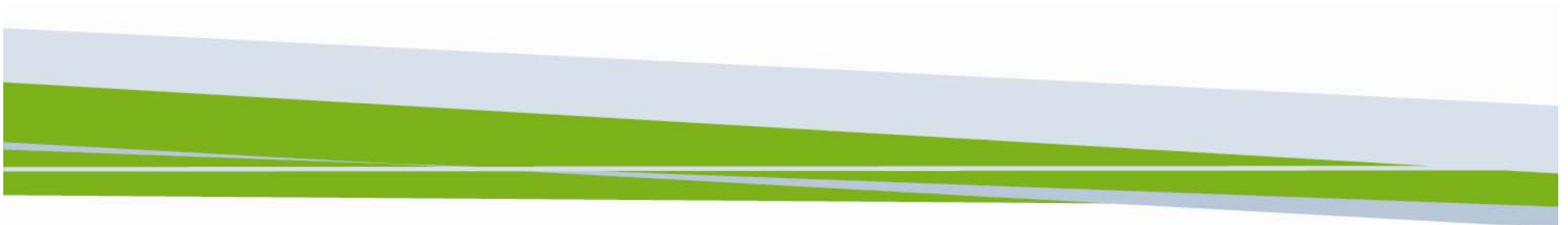
2012 Approved Budget Update

- Property Tax revenue estimates have been revised downwards by \$1.2M from the 2012 estimates approved in the 2012 operating budget.
- A budget amendment of \$1.2M is required to reduce the transfer to Capital Infrastructure Reserve.
- Revision will not negatively impact current nor future work plans.
- The change is on the projected new construction growth at the time of developing the 2012 budget in late 2011.



Forecast Scenario Definition

- Property tax Revenue Neutral plus Construction growth
 - LOW RISK – *conservative* outlook on projected property assessment growth.
- Property tax Revenue Neutral plus Construction growth
 - HIGH RISK – *optimistic* outlook on projected property assessment growth.



2012 – 2014 Property Tax

Recommended Tax Rate Strategy

1. **Urban Residential Taxation Class** – one of the lowest cost per sq. ft. compared to major cities in Alberta
2. **Rural Residential Taxation Class** – lower or equal to Urban Residential Taxation Class
3. **Urban Non-Residential Taxation Class** - one of the lowest cost per sq. ft. compared to major cities in Alberta
4. **Rural Non-Residential Taxation Class** – provide balanced budgets taking into account other Taxation Classes above.

Next Steps

Continue working on the funding strategy for City Centre and MacDonald Island projects.



2012 – 2014 Fiscal Management Strategy

Presented By:

Victor Mema – Manager Financial Planning

Elsie Hutton – Chief Financial Officer

Henk van Waas – Regional Assessor

May 8, 2012



Subject: 2012 – 2014 Fiscal Management Strategy**APPROVALS:**

Glen Laubenstein, Chief Administrative Officer
Elsie Hutton, Executive Director

Administrative Recommendation(s):

THAT the 2011 – 2014 Fiscal Management Strategy be replaced with the 2012 – 2014 Fiscal Management Strategy.

Summary:

The 2012 – 2014 Fiscal Management Strategy (Strategy) is the first under the recently approved Municipal Development Plan and the 2012 – 2016 Strategic Plan.

The 2012 – 2014 Strategy continues to build on the principles of predictability, stability and transparency used by the Municipality in managing and planning its financial resources, and communicating the same with stakeholders. It sets out a number of assumptions that will act as a guide for setting property tax rates, prepare capital and operating budgets and plans. In general, the Strategy which is included as Attachment 1, sets out and is aimed at achieving the following:

- Continue with the property tax ‘revenue neutral’ plus construction growth philosophy in setting 2012 property tax rates;
- Assume property tax ‘revenue neutral’ plus construction growth philosophy for all property classes in preparing 2013 – 2015 budgets;
- Continue with philosophy of maintaining a minimum uncommitted balance of \$50M maximum balance in the Emerging Issues Reserve (EIR) subject to a maximum of 15% of prior year’s audited net property taxes to mitigate property tax revenue risks. EIR balance is projected to be \$61.7M for 2012;
- Transfer any funds in excess of the maximum balance in Emerging Issues Reserve at each year end to the Capital Infrastructure Reserve and/or other reserves based on Administration recommendation to Council;
- Continue the philosophy of maintaining a minimum uncommitted balance in the Capital Infrastructure Reserve of \$50M. The Strategy projects \$252.5M available balance at the end of 2015, exclusive of the City Centre and MacDonald Island developments.
- Maintain debt and debt service limits at 75% of *Municipal Government Act* (MGA) limits.

Background:

Administration has reviewed the impact of Council approved 2013 – 2017 Capital plan on debt and debt service limits, Capital Infrastructure Reserve, Emerging Issues Reserve and property taxation

assumptions. A forecast analysis of financial performance and position has also been completed. Additional targeted review covered the Municipality's property tax revenue risk index. Two property tax scenarios were projected based on low and high risk. The timing of projected assessment growth differentiated the two scenarios. Both scenarios incorporated a revenue neutral plus construction growth approach.

Results of this analysis are used to project future desirable financial conditions over a period of six years relative to prevailing economic environment and outlook.

Based on the results of the forecast, the municipality would:

- Not exceed the 75% of MGA limit as set by Council for both debt and debt service;
- Maintain the minimum uncommitted balance of \$50M in the Capital Infrastructure Reserve;
- Maintain the minimum uncommitted balance of \$50M in the Emerging Issues Reserve and maximum uncommitted balance equivalent to 15% of each prior year's audited net property tax.

Council adopted the 2011 – 2013 Fiscal Management Strategy on April 26, 2011 and based on the foregoing, there is need to replace it with the new Strategy.

Budget/Financial Implications:

The budget assumptions identified will provide the initial basis for 2013 budget development. In the event funding sources are insufficient to meet anticipated future municipal expenditures, Administration will propose alternatives for Council approval.

Funding requirements for the City Centre and MacDonald Island projects are still being determined and will require an adjustment of this Strategy.

Rationale for Recommendation(s):

Adopting this Strategy will provide for a sustainable financial process to meet short and mid-term needs of the Municipality as detailed in the MDP and 2012 – 2016 Strategic Plan while reducing the likelihood of major property taxation and user fees increases.

Attachment:

1. 2012 – 2014 Fiscal Management Strategy



“Financing the Big Spirit, Big Ideas and Big Plan”

Fiscal Management Strategy

2012 - 2014

Prepared by: Financial Planning

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1.0 INTRODUCTION, ASSUMPTIONS, OUTLOOK & STRATEGY ABSTRACT

1.1 Description of the Fiscal Management Strategy, process and scope

As part of long-term financial planning, the Regional Municipality of Wood Buffalo (RMWB) undertakes an annual review of its financial position and future demands for infrastructure and services. The review culminates in a forecast of current year and the next two years (for operating) and five years (for capital) funding requirements based on community priorities. The forecasts provide context for setting the current year's property tax rates and provides a base for future budget development in light of existing Council policies regarding: debt, operating and capital reserves, user fees and investments.

The 2012 – 2014 Fiscal Management Strategy is the first under the recently approved Municipal Development Plan (MDP), and the 2012 – 2016 Strategic Plan. A major initiative coming out of these strategic directives is the City Centre Area Redevelopment Project which is a bold undertaking that will forever change the quality of life in the region.

The Fiscal Management Strategy assumes two likely exclusive futures under two scenarios:

- **PROPERTY TAX REVENUE NEUTRAL Plus CONSTRUCTION Growth 'LOW RISK'** – *conservative* outlook on projected property assessment growth, supporting operating costs other than debt service growing at 3% per annum and the 2012 - 2017 capital budget and plan,
- **PROPERTY TAX REVENUE NEUTRAL Plus CONSTRUCTION Growth 'HIGH RISK'** – *optimistic* outlook on projected property assessment growth, supporting operating costs other than debt service growing at 3% per annum and the 2012 - 2017 capital budget and plan.

1.2 Analysis Limitations

The forecast analysis is limited to the following:

- Municipal Development Plan (MDP),
- 2012 – 2014 Strategic Plan,
- Fiscal Responsibility Policy,
- Investment Policy,
- Debt Management Policy,
- Approved 2012 Operating and Capital Budgets
- Adjusted 2013 – 2014 Operating Plan
- Adjusted 2013 – 2017 Capital Plan

The following assumptions are specific to the Adjusted Capital Budget and Plan: (2012 – 2017)

- \$728M to be completed in 2012 (representing 2011 and prior approved capital projects in progress, \$350,685,753 and 2012 approved capital budget of \$376,854,951)
- \$388M to be completed in 2013
- \$392M to be completed in 2014
- \$308M to be completed in 2015
- \$296M to be completed in 2016
- \$322M to be completed in 2017

The following assumptions relate to the Adjusted Operating Budget and Plan: (2012 – 2014)

- Property tax ‘*revenue neutral*’ plus construction growth;
- No increases to user fees pending completion of a comprehensive user fees study in 2012;
- Operating costs growth of 3% per annum exclusive of debt service;
- Undrawn debt of \$351M at the end of 2009 will be drawn at the beginning of 2013 and thereafter all debt is drawn three years after commitment or approval;
- Low risk scenario assumed for property tax revenue;
- An interest rate of 3.5% has been assumed for future debt draws.

1.3 Economic Commentary

Towards the end of 2011, there were well placed fears of a ‘double-dip’ recession. However, while the global economic recovery has sputtered for much of 2011, the recovery has held for the time being although at a very slow growth rate. The World Bank notes that world economy is projected to grow at an average rate of 2.5% per annum between 2012 and 2014 although it remains at risk from sovereign debt in Europe, political gridlock in Washington and general lack of private appetite for investment spending.

While the Canadian economy weathered the ‘great recession’ storms with a degree of poise, it remains vulnerable to developments in the international economy and more so, its major trading partner, the United States. The longer the Loonie flirts with parity to the US\$, Canadian exports will remain uncompetitive in the international market. The reverse provides an opportunity for capital purchases for industry.

Investments in the Regional Municipality of Wood Buffalo remains optimistic as world demand for energy commodities; oil and gas remain at above required minimum investment returns. Prices for both oil and gas have responded well to international political and economic developments. The region expects a number of oil sands projects to come online within the next three years based on approved applications, current construction schedules and announcements from investors.

The Wood Buffalo region has achieved full employment in recent months. Employers in the region will now depend on securing employees from external sources. This will result in costly efforts to attract, and retain personnel. As more labor comes from outside the region, there will be an upward push on the region’s population.

1.4 Strategy Abstract

The purpose of this Fiscal Management Strategy is to:

- create a high level financial overview of the municipality’s operating and capital costs from 2012 to 2017;
- propose a balanced reserve strategy; and
- provide context for setting the current year’s property tax rates and user fees and charges.

Revenue, expenditure, reserve, investment and financial condition strategies based on a ‘Low Risk’ revenue neutral plus construction growth strategy are presented in this report.

In summary the results of this forecast are:

- Keeping property taxes at revenue neutral plus new growth similar to 2011, the Municipality will generate enough revenue to meet its current expenditure requirements;
- The Municipality will fund the Emerging Issues Reserve at \$61.7M in 2012 and for each of the years through 2015. Minimum uncommitted balance of \$50M will also be maintained;
- The Municipality will maintain the minimum uncommitted balance of \$50M in the Capital Infrastructure Reserve through 2015. An uncommitted available balance of \$252.5M is projected at the end of 2015 prior to considering the City Centre and MacDonald Island projects; and
- Total debt and debt service will be below Council limit of 75% of Municipal Government Act limits.

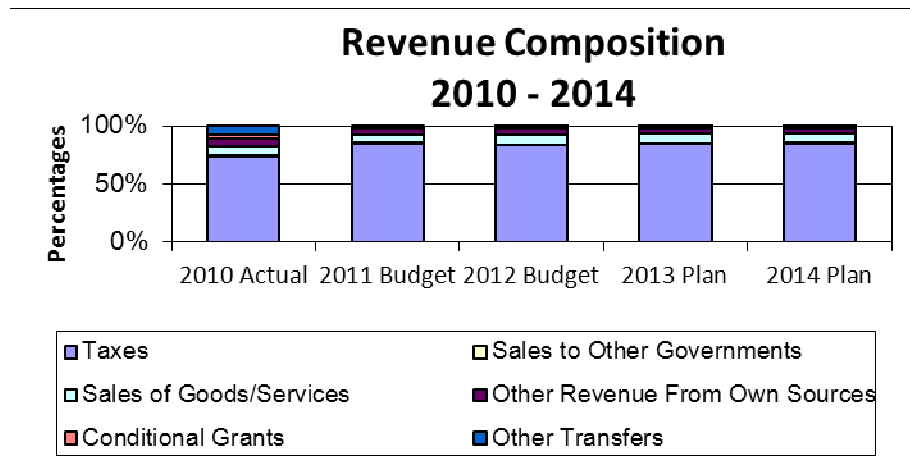
While the Municipality is in a strong financial position, the City Centre and MacDonald Island projects will require significant investments. Funding requirements are being determined and Administration is working on optimal funding options. Once the planning and costing process is complete, recommendations will be presented for Council consideration. At the time, amendments to the 2012 – 2014 Fiscal Management Strategy will be necessary.

2.0 REVENUE STRATEGY

2.1 Revenue Composition

The Regional Municipality of Wood Buffalo has the following major sources of revenue; taxes, sales to other governments, sales of goods/services, other revenue from own sources, conditional grants and other transfers.

| | 2010 | 2011 | 2012 | 2013 | 2014 |
|--------------------------------|-----------------------|-----------------------|--------------------|-------------------------|-------------------------|
| | Actual | Budget | Amended Budget | Adjusted Financial Plan | Adjusted Financial Plan |
| REVENUE | | | | | |
| Taxes | 430,063,833 | 481,302,711 | 503,553,940 | 542,845,256 | 595,619,089 |
| Sales to Other Governments | 1,690,034 | 3,089,435 | 4,397,954 | 4,581,134 | 4,772,328 |
| Sales of Goods/Services | 47,710,823 | 38,384,828 | 50,437,461 | 52,760,348 | 55,001,412 |
| Other Revenue From Own Sources | 38,819,530 | 31,854,388 | 32,940,558 | 32,259,741 | 32,600,577 |
| Conditional Grants | 16,832,414 | 9,797,332 | 12,777,485 | 12,423,585 | 12,693,585 |
| Other Transfers | 46,231,107 | 3,059,840 | 1,090,716 | 253,916 | 253,916 |
| TOTAL | \$ 581,347,741 | \$ 567,488,534 | 605,198,114 | \$ 645,123,980 | \$ 700,940,907 |



The revenue composition chart clearly shows that over the years, the bulk of the municipality's revenue (about 84%) is derived from taxes. An average of 8% is derived from sales of goods and services. Other revenue from own sources account for about 5%.

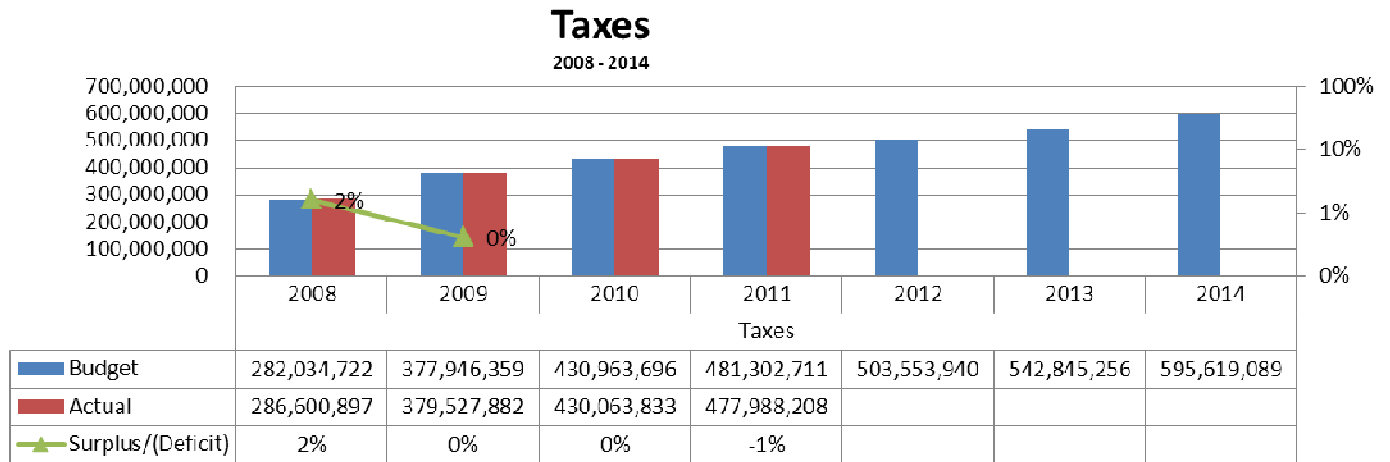
Details about each revenue class performance are shown in the next section.

2.2 Revenue Class Budget Performance

Taxes

This category includes property taxes and grants in-lieu taxes. Taxes account for about 84% of total revenue to the Municipality. Local Improvement Program (LIP) levies are also included in this category. Continued growth has brought about a corresponding growth in tax revenue between years 2008 and 2011.

Council sets the effective property tax rate for each budget year prior to the property tax payment due date of June 30th.



2012 – 2014 taxes presented above is different from approved 2012 budget and 2013 – 2014 plan based on revised estimates considering additional revenue from growth resulting from the low risk scenario.

| | 2012 | 2013 | 2014 |
|--|-------------|-------------|-------------|
| Approved budget and plan | 504,714,951 | 504,866,403 | 504,866,403 |
| Amended budget and adjusted financial plan | 503,553,940 | 542,845,256 | 595,619,089 |
| (Reduced) / Additional Revenue | (1,161,011) | 37,978,853 | 90,752,686 |

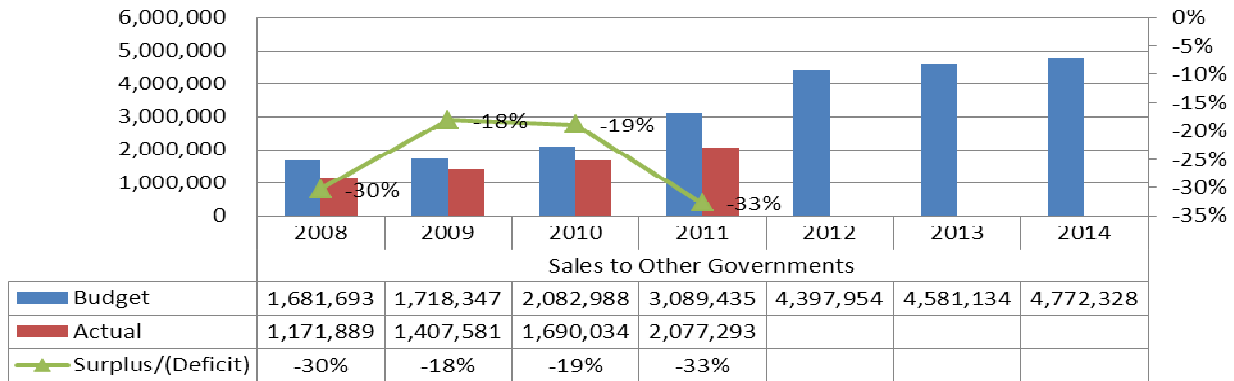
LIP levies budgeted as part of Taxes in the chart and table above are \$200,000 for 2011 and \$177,000 for each of the years 2012 – 2014.

Sales to Other Governments

This includes revenue arising from transactions between the municipality and other public entities.

Sales to Other Governments

2008-2014

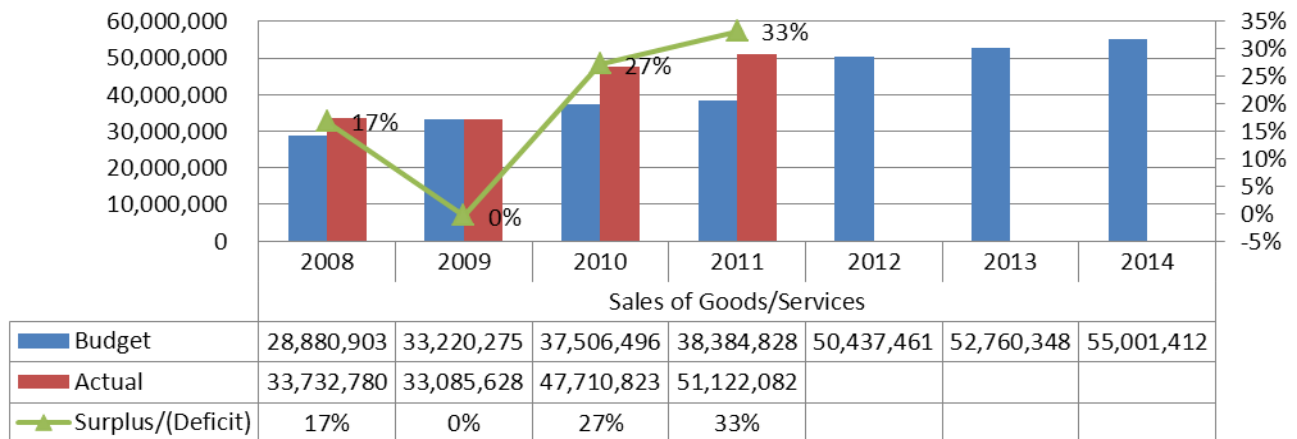


Sales of Goods/Services

Sales of goods/services include several items but the major revenue line items are; utilities, ambulance fees, community program and facility fees. Over the years, the municipality has had favorable results comparing budget to actual except in years where contemplated rate changes were not implemented as planned.

Sales of Goods/Services

2008 - 2014

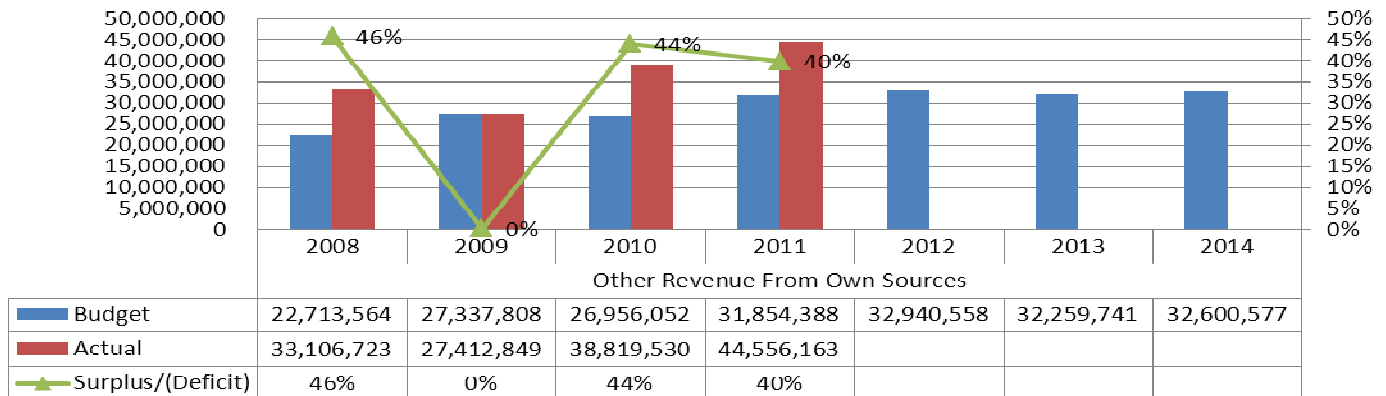


Other Revenue From Own Sources

This category includes revenue for permits, fines and penalties, franchise fees and the interest from investments. The increase for 2011 is due to proceeds from disposal of land which is transferred to the Asset Addition Reserve.

Other Revenue From Own Sources

2008 - 2014

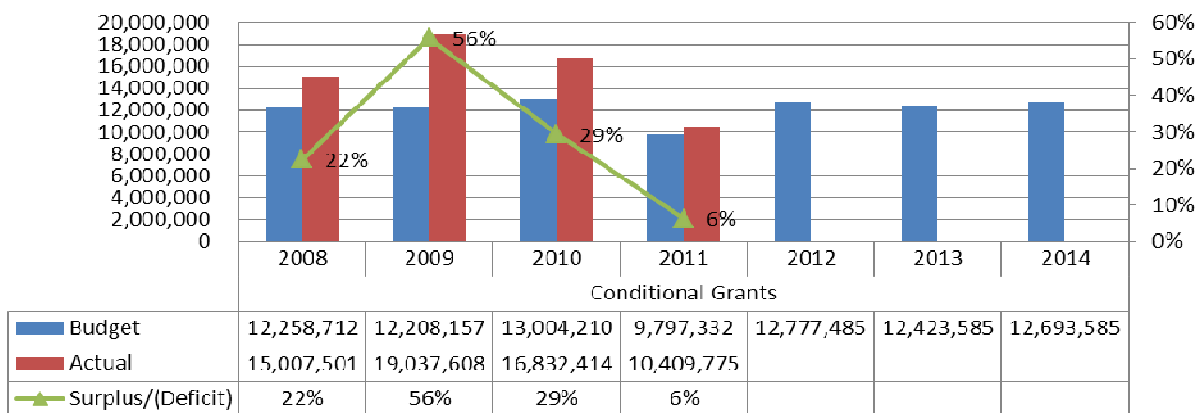


Conditional Grants

Conditional transfers or grants are amounts received from other levels of government; federal and provincial, to support operating programs.

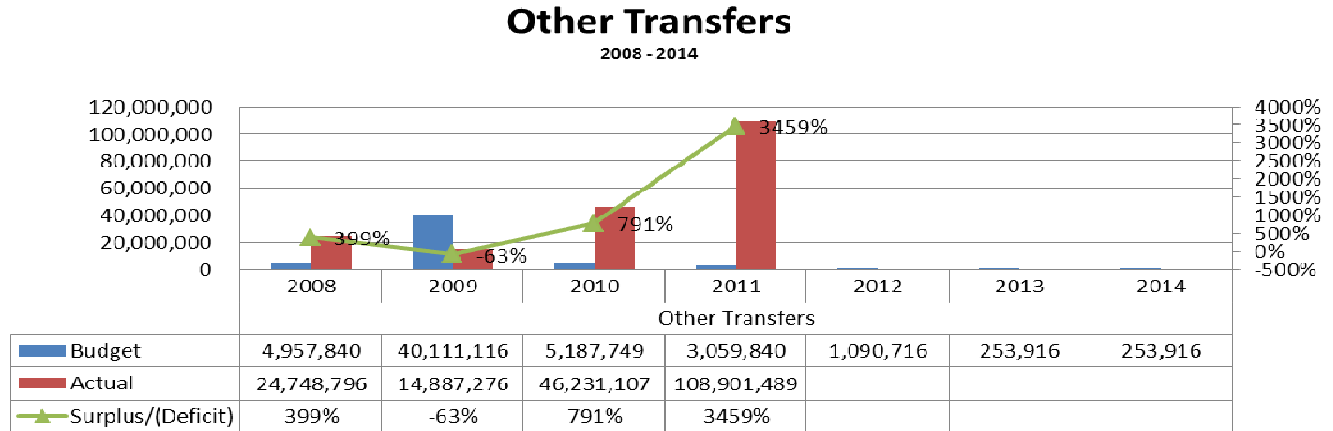
Conditional Grants

2008 - 2014



Other Transfers

Recorded in this category are internal charge allocations and transfers from reserves. A project is in place to begin to review the municipality's cost allocation plan in 2012.



The variance in 2011 is largely comprised of \$95M 2009 and 2010 balance transfers from the Emerging Issues Reserve. Other components of the variance are transfers from reserves to cover costs of programs in 2011.

2.3 Property tax revenue strategy

The Municipality's taxation strategy is guided by three underlying principles;

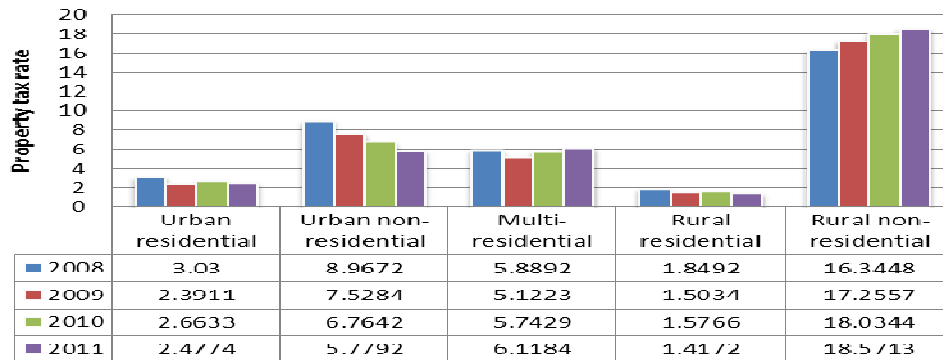
- Predictability
- Stability
- Transparency

The taxation strategy seeks to achieve the following:

- The Urban Residential Taxation Class – this class will have one of the lowest total tax burdens per square foot as compared to major Alberta cities,
- The Rural Residential Taxation Class – this class will have an equal or lower tax burden per square foot as Urban Residential Taxation Class,
- The Urban Non-Residential Taxation Class – this class will have one of the lowest total tax burdens per square foot as compared to major Alberta cities, and
- Rural Non-Residential Taxation Class – this class will have a tax burden that provides the Municipality with a balanced budget while taking into account other Taxation Classes.

The property taxation strategy contributes to the affordability of living and working in the region while supporting long term capital infrastructure needs. The strategy also takes into account the growth facing the region and the underlying growth drivers.

Municipal Property Tax Rates 2008 - 2011



Based on the principles and property taxation strategy outlined, urban residential property tax rates have declined from 3% in 2008 to 2.5% in 2011, an 0.5 percentage point decrease over 4 years.

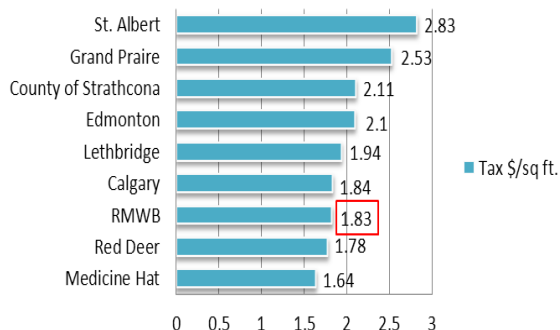
Comparatively, the rural residential property tax rate has declined by 0.4 percentage point since 2008. In concert with the principles, the rural residential property tax rate is lower than the urban residential property tax rate.

The urban non-residential rate also decreased by 3.2 percentage points between 2008 and 2011.

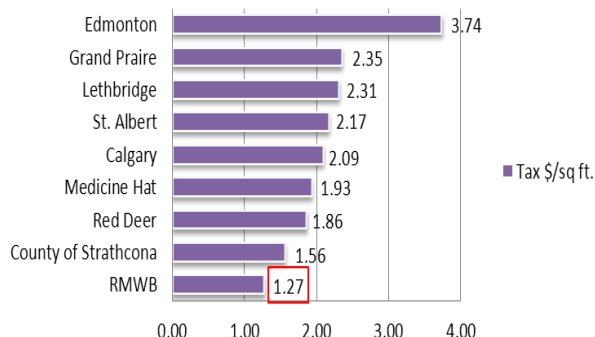
However, during the same period, multi-residential property tax rate increased by 0.2 percentage point from 5.9% in 2008 to 6.1% in 2011. Rural non-residential property tax rate also increased 2.3 percentage points from 16.3% in 2008 to 18.6% in 2011. Growth in the oil sands industry is primarily responsible for the unprecedented demand for municipal infrastructure and services. The current property taxation strategy places greater reliance for municipal revenue generation on property taxes from rural non-residential property.

The Regional Municipality of Wood Buffalo's commercial and residential property tax costs per square foot in 2011 were competitive compared to other major Alberta cities;

Urban Residential Property Tax Cost Comparison per sq. ft. - 2011



Non-Residential Property Tax Cost Comparison per sq. ft. - 2011



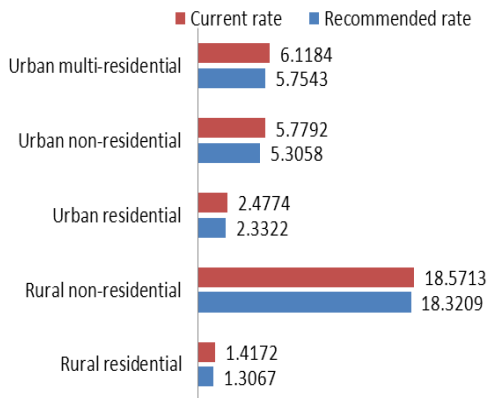
Property Tax Revenue Projections

Estimated property tax revenue for 2012 is now projected at \$508.5M based on 2012 proposed property tax rates.

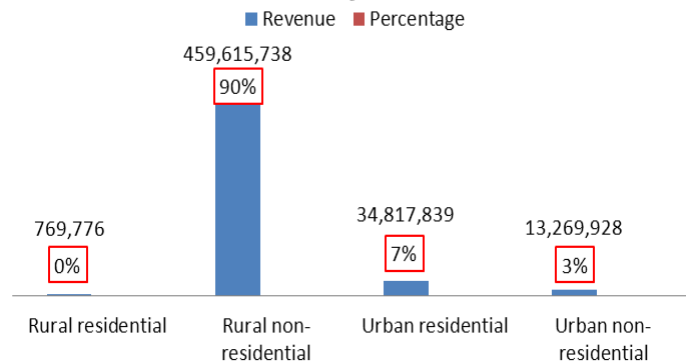
After adjusting for assessment corrections, revenue for taxes projected for 2012 (\$508,473,281) will be \$503,553,940 (including \$177,000 LIP levies).

Property tax revenue contribution and recommended municipal property tax rates for 2012 are as follows:

Municipal Property Tax Rates - 2012



Property Tax Revenue Contribution by Source - 2012



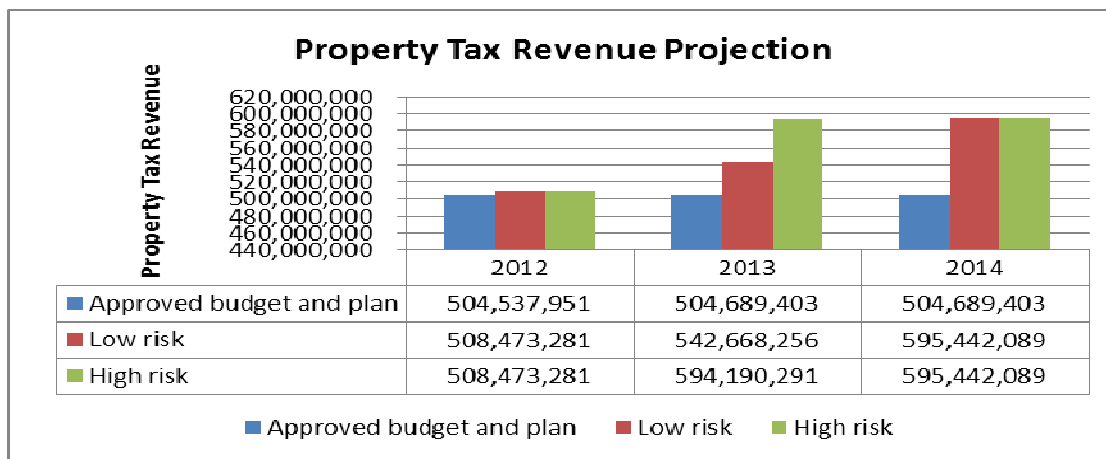
In projecting property tax revenue, two scenarios; LOW RISK and HIGH RISK are used. Low Risk scenario assumes a conservative outlook on future tax base growth while the High Risk assumes an optimistic outlook based on development timing.

The following chart indicates projected property tax revenue for 2012 through 2015;

| Property Tax Revenue Projection | | | | | |
|---------------------------------|-----------------------|--------------------|--------------------|--------------------|--------------------|
| 2012 - 2015 | | | | | |
| | | 2012 | 2013 | 2014 | 2015 |
| Low Risk | Rural residential | 769,776 | 773,647 | 777,519 | 781,390 |
| | Rural non-residential | 459,615,738 | 492,410,353 | 543,932,388 | 553,833,552 |
| | Urban residential | 34,817,839 | 36,065,766 | 37,313,692 | 38,561,619 |
| | Urban non-residential | 13,269,928 | 13,418,490 | 13,418,490 | 13,567,053 |
| | Total | 508,473,281 | 542,668,256 | 595,442,089 | 606,743,614 |
| High Risk | Rural residential | 769,776 | 773,647 | 777,519 | 781,390 |
| | Rural non-residential | 459,615,738 | 543,932,388 | 543,932,388 | 567,070,403 |
| | Urban residential | 34,817,839 | 36,065,766 | 37,313,692 | 38,561,619 |
| | Urban non-residential | 13,269,928 | 13,418,490 | 13,418,490 | 13,567,053 |
| | Total | 508,473,281 | 594,190,291 | 595,442,089 | 619,980,465 |

The projected additional revenue expected to be realized in 2012 – 2014 under both scenarios present an opportunity for the municipality to address its revenue risk by designating funding towards the fiscal stability reserve. The 2012 property tax revenue budget was determined based on property tax revenue neutral methodology for all property classes (properties existing in 2011). The 2012 budget had also incorporated revenue from construction growth. However, it should be noted that the RMWB lost approximately \$9.2M in revenue for 2012 as a result of the boundary changes effected by the Province of Alberta effective January 1, 2012. The revenue loss was budgeted.

The table below compares the property tax revenue in the 2012 approved budget and 2013 – 2014 plan with those in the low and high risk scenarios above.



The chart above is exclusive of LIP levies budgeted as \$177,000 for each of the years 2012 – 2014.

2.4 General Revenue Strategy

A diversity of revenue sources is adopted by the municipality and appropriate recovery levels are also established for municipal services. The level of community resources that is dedicated toward municipal services is directly related to the extent of benefit to the community and the municipality's ability to pay.

Higher rates of cost recovery for certain services are achieved by charging fair market value for services when it is appropriate to do so and by using prudent cost control measures. Fees and charges are reviewed for the level of cost recovery and reasons for not recovering full costs are identified and explained. The municipality relies on the user fees and charges recovered to offset some of the costs related to service delivery. However, the user fees policies recognize and seek to protect vulnerable segments of the population such as youth and seniors and make attempts to balance need for service with ability to pay.

The recommended general strategy for user fees and charges is:

- (i) full cost recovery imposed to recover full cost of providing the service, good or access to amenity where it is determined that a service or good or access to an amenity provided by the municipality provides a direct benefit to individuals, group of individuals or businesses; and
- (ii) partial cost recovery imposed where it is determined that a service or good or access to an amenity provided by the municipality provides a direct benefit to individuals, groups of individuals or businesses but also results in

benefits to the general public. Such will also be partially funded by means of a public subsidy from general property tax revenue.

The recommended property tax revenue strategy is:

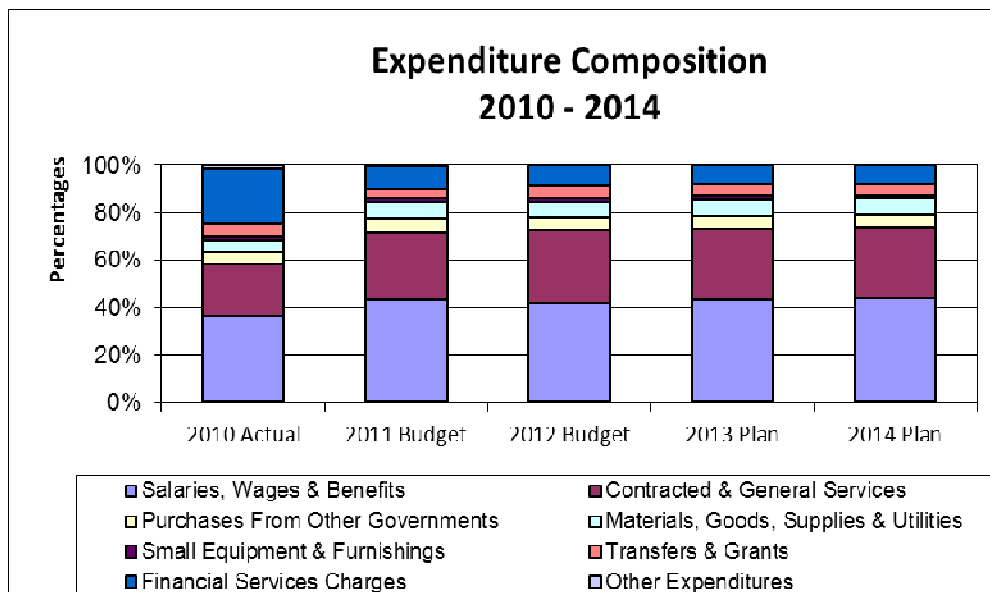
- (i) establishment of tax rates that are governed by the 3 core principles of predictability, stability and transparency that is sustainable for the long term; and
- (ii) establishment of rates that contribute to the affordability of living and working in the region while supporting long term infrastructure needs.

3.0 EXPENDITURE STRATEGY

3.1 Expenditure Composition

The Regional Municipality of Wood Buffalo has eight expense categories; salaries, wages and benefits, contracted and general services, purchases from other governments, materials/goods/supplies, small equipment & furnishings, finance charges and other transfers/write-offs.

| | 2010 | 2011 | 2012 | 2013 | 2014 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | Actual | Budget | Budget | Financial Plan | Financial Plan |
| EXPENDITURE | | | | | |
| Salaries, Wages & Benefits | 138,369,759 | 160,719,587 | 157,229,688 | 169,795,436 | 173,433,130 |
| Contracted & General Services | 83,829,946 | 105,962,548 | 116,783,611 | 116,736,195 | 118,929,617 |
| Purchases From Other Governments | 17,576,918 | 21,937,136 | 19,778,452 | 20,386,805 | 20,954,198 |
| Materials, Goods, Supplies & Utilities | 20,621,347 | 25,365,007 | 24,150,981 | 27,872,252 | 28,235,022 |
| Small Equipment & Furnishings | 4,727,236 | 6,629,200 | 5,827,297 | 4,794,190 | 4,926,938 |
| Transfers & Grants | 20,516,140 | 14,637,469 | 19,746,208 | 19,405,683 | 19,665,666 |
| Financial Services Charges | 89,593,480 | 35,183,143 | 32,333,407 | 31,636,015 | 31,027,814 |
| Other Expenditures | 5,589,271 | 2,135,782 | 275,235 | 227,172 | 227,414 |
| TOTAL | \$ 380,824,097 | \$ 372,569,872 | \$ 376,124,878 | \$ 390,853,748 | \$ 397,399,799 |



The expenditure composition chart reveals that over the years, the top 2 expense items of the municipality have been:

Salaries, wages & benefits; and
Contracted & general services.

Details about each expenditure class performance are shown in the next section.

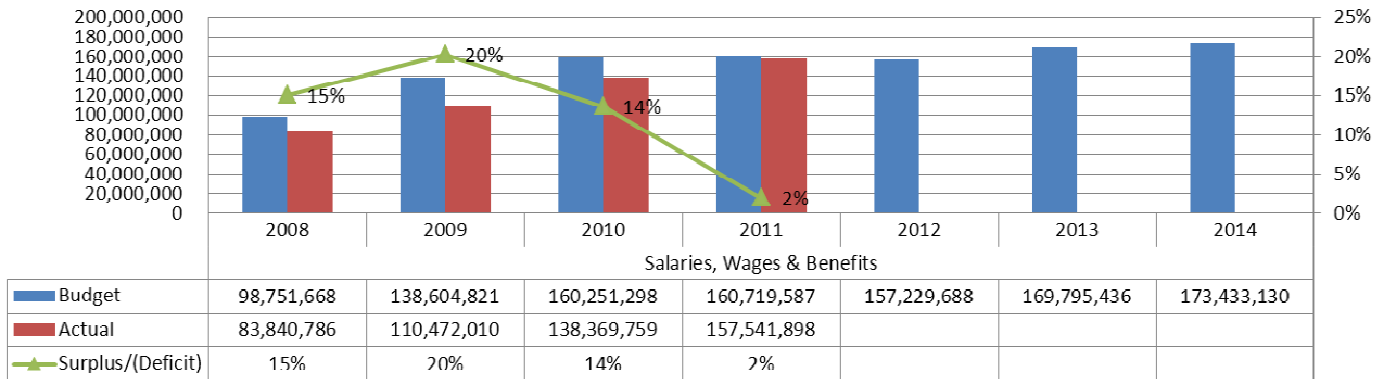
3.2 Expenditure class budget performance

Salaries, Wages & Benefits

Between 2008 and 2011, salaries, wages and benefits have experienced an average positive variance position of at least 13% of approved budgets. More details about the municipality's salaries & benefits strategy is presented in Section 3.3 below.

Salaries, Wages & Benefits

2008 - 2014

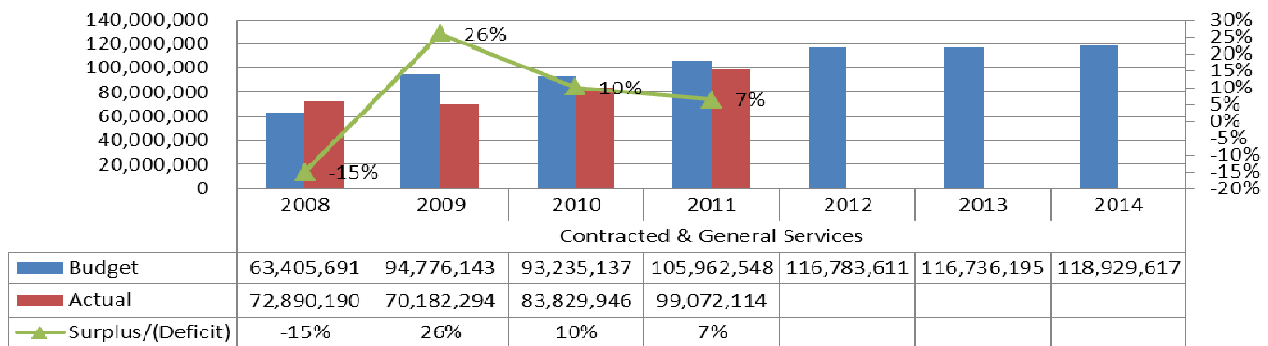


Contracted & General services

Contracted and general services category comprises expenses such as recruitment, training, travel, telephones and internet, professional services, legal fees, insurance and other minor expense lines. This expense category is subject to allocation changes influenced by planned operating projects.

Contracted & General services

2008 - 2014

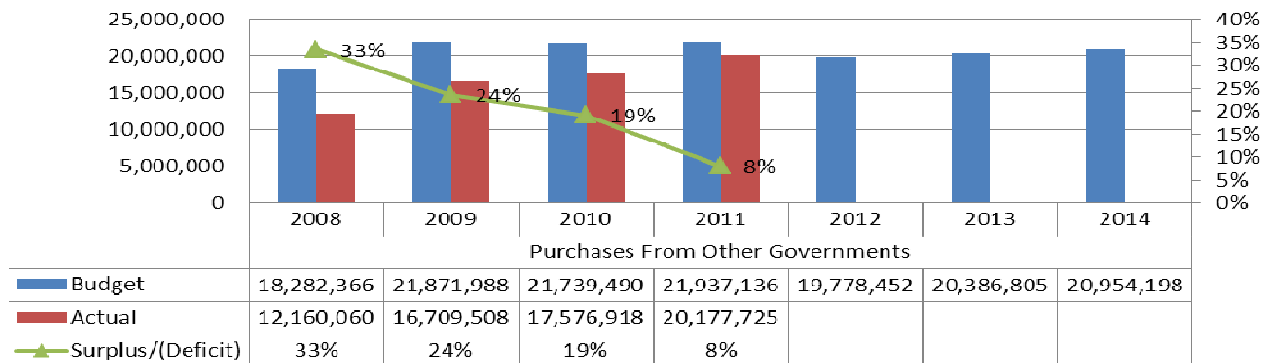


Purchases From Other Governments

Purchases from other governments comprise transactions between the Municipality and other public agencies. A significant portion of these costs relate to the RCMP contract.

Purchases From Other Governments

2008 - 2014



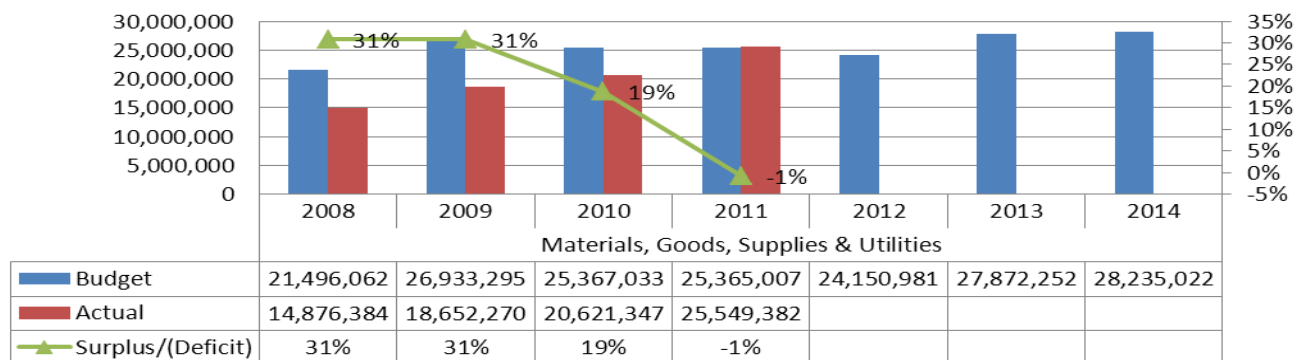
Materials, Goods, Supplies & Utilities

The materials, goods, supplies and utilities category consists of items required to operate and maintain the municipality on a daily basis.

The major items include fuels & lubes, chemicals & salts, natural gas and electricity.

Materials, Goods, Supplies & Utilities

2008 - 2014

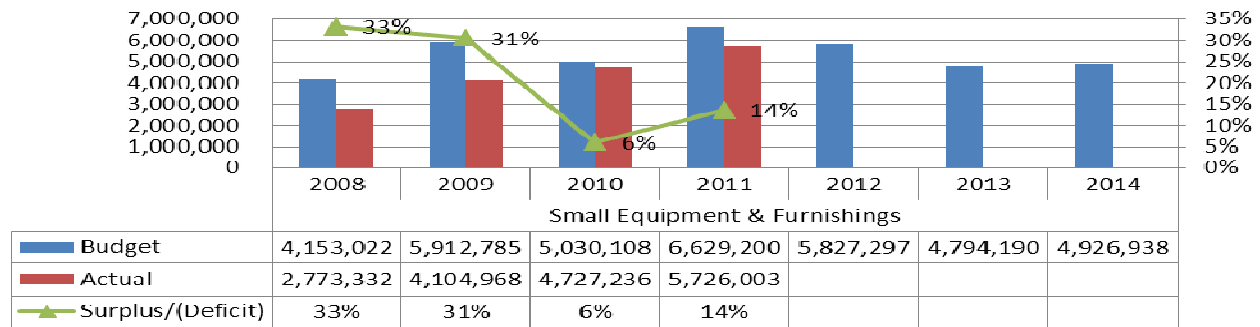


Small Equipment & Furnishings

Acquisition of office furniture and small equipment is included in this expense category.

Small Equipment & Furnishings

2008 - 2014

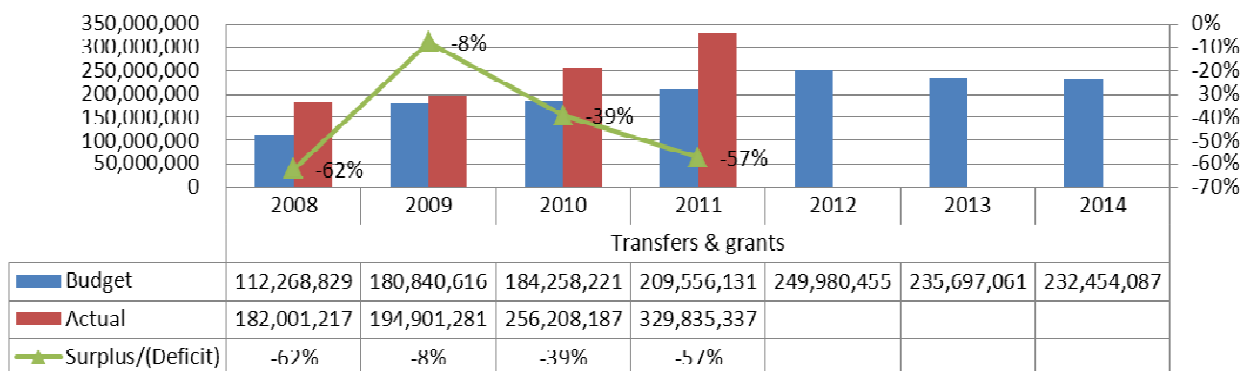


Transfers & grants

Transfers to capital, reserves, internal charges and write-offs are recorded in this expense category. The significant increase in 2011 actuals is offset by a corresponding increase of \$95 million in revenue under "other transfers" class category. This \$95 million represented 2009 and 2010 balance transfers from the Emerging Issues Reserve.

Transfers & Grants

2008 - 2014



Amounts above are inclusive of reserve transfers and therefore differ from the line amount for "Transfers & Grants" in the table under expenditure composition in Section 3.1.

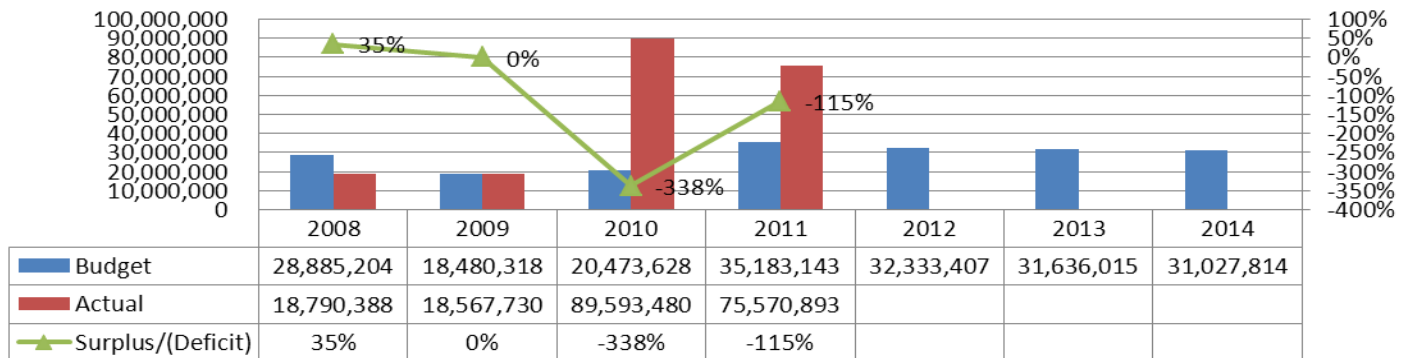
Financial Services Charges

Bank charges, debenture principal and interest and amortization are recorded in this expense category. Debt service budget provisions are based on actual drawn debt. Each debenture would have an associated payment schedule that

indicates annual payments. The significant variance in 2010 and 2011 is attributable to amortization. This is due to the fact that the RMWB does not budget for amortization. Approximately \$43M is attributable to amortization in 2011.

Financial Services Charges

2008 - 2014

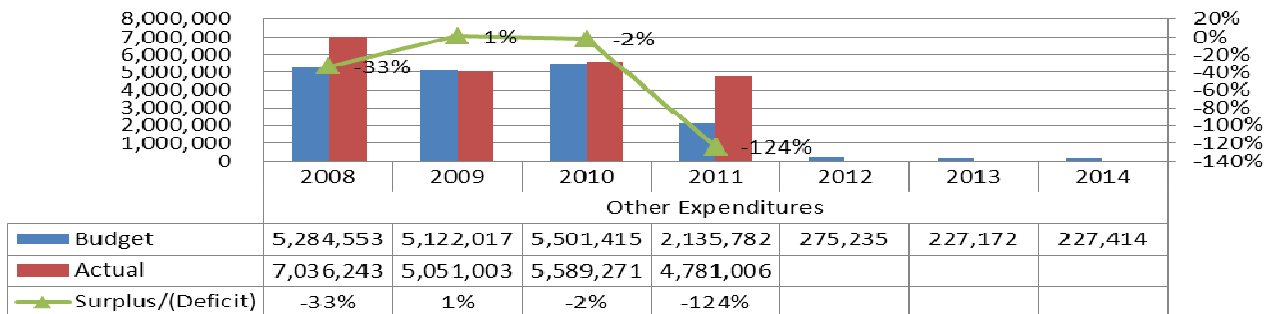


Other Expenditures

Allowance for bad debts, inventory shrinkage, and internal charges are recorded in this category. In 2011, the significant variance of approximately \$2M is attributable to transfers of operating costs relating to approved capital projects. These costs do not qualify to be recorded as "Tangible Capital Assets" and as such have to be expensed as operating costs. Funding was provided for within original project budgets.

Other Expenditures

2008 - 2014



3.3 Salaries, Wages & Benefits Strategy

Salaries, wages and benefits usually account for 30 – 40% of the municipality's total approved operating budget.

The 2012 approved and 2013-2014 salaries, wages and benefits budget has been adjusted downwards by 10% to account for structural vacancies. Vacant positions are usually partially funded based on estimated hiring dates.

In recent years, the municipality increased staffing positions in response to increasing service and infrastructure demands related to the oil sands activity growth. However, as a public agency operating in a competitive labor environment, the municipality could not attract the required staff complement. A review of salaries, wages and benefits (with union representatives) was undertaken coupled with changes to working culture, emphasizing work and life balance. The Municipality has become an employer of choice within the region.

The region has remained at full employment through the recession. As has become tradition for employers in the region, recruitment drives outside the region have become a major source for new employees.

The table below shows the increments in personnel salaries from 2011 to 2013 based on signed agreements with the Canadian Union of Public Employees (CUPE) and International Association of Fire Fighters (IAFF).

| | 2011 | 2012 | 2013 |
|------|------|------|------|
| CUPE | 4% | 3.5% | 3% |
| IAFF | 5% | 4% | 3% |

3.4 Total Debt and Debt Service Limits

The RMWB's existing debt policy requires that:

- 'Total municipal debt limit percentage shall not exceed 75% of the debt limit per Municipal Government Act and regulations',
- 'Total debt service shall not exceed 75% of the debt service limit per Municipal Government Act and regulations'.

In 2006, the Province of Alberta, through Alberta Regulation 255/2000, increased the debt and debt service limit for the Municipality:

- Debt limit originally calculated at 1.5 times revenue was changed to 2.0 times revenue.
- Debt service limit originally calculated at 0.25 times revenue was changed to 0.35 times revenue.

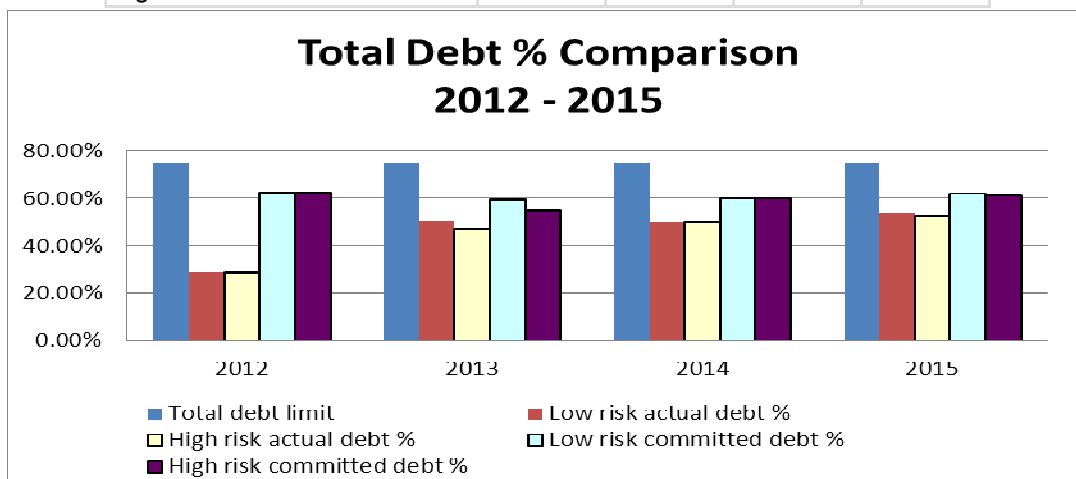
The revised debt and debt service limit are also applicable to Calgary, Edmonton and Medicine Hat. Alberta Regulation 255/2000 is due for review in December 2015.

The Municipality's debt and debt service limits of 75% of the Municipal Government Act coincide with limits set by Alberta Capital Finance Authority (ACFA) as a threshold to require additional due diligence.

Forecast Total Debt

The debt and debt service forecast for 2012 through 2015 indicates that both low risk and high risk outlook debt percentages are below the limits set by Council and below the ACFA 'red-flag' limit.

| | 2012 | 2013 | 2014 | 2015 |
|----------------------------|--------|--------|--------|--------|
| Total debt limit | 75.00% | 75.00% | 75.00% | 75.00% |
| Low risk actual debt % | 28.70% | 50.64% | 49.88% | 53.90% |
| High risk actual debt % | 28.70% | 46.90% | 49.88% | 52.92% |
| Low risk committed debt % | 62.49% | 59.32% | 59.68% | 62.32% |
| High risk committed debt % | 62.49% | 54.93% | 59.68% | 61.18% |



The Municipality uses debt to fund capital projects based on two principles:

- Use debt to fund capital projects that have a long useful life,
- Use debt finance as a revenue source of 'last resort'.

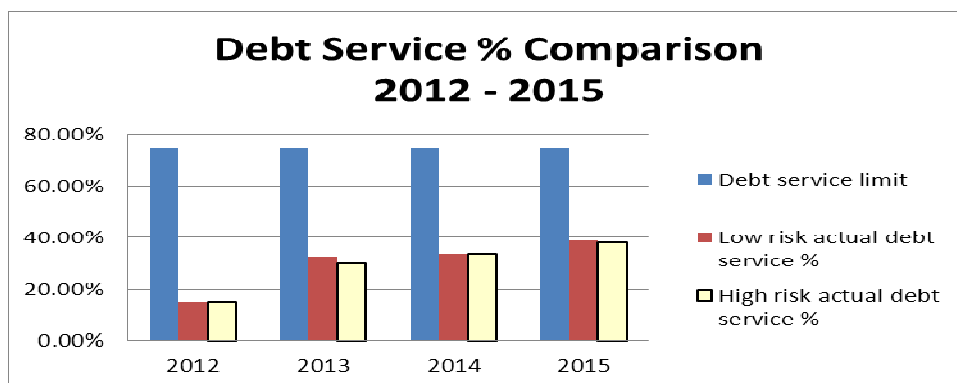
The first principle respects the 'inter-generational equity' philosophy that dictates that each generation that benefits from an amenity, must bear their fair share of financial burden and the second principle indicates a conservative approach to debt use.

For a municipality facing rapid population growth and the associated demand for new infrastructure and infrastructure rehabilitation, use of debt is a reality as general revenue growth typically lags infrastructure demand.

Forecast Debt Service

The forecast results indicate that both low risk and high risk outlook debt service percentages are below the 75% of MGA limit as set by Council.

| | 2012 | 2013 | 2014 | 2015 |
|---------------------------------|--------|--------|--------|--------|
| Debt service limit | 75.00% | 75.00% | 75.00% | 75.00% |
| Low risk actual debt service % | 15.11% | 32.63% | 33.88% | 38.95% |
| High risk actual debt service % | 15.11% | 30.22% | 33.88% | 38.24% |



The debt service ratio is a critical variable in financial management. It is a measure of financial resource demand on annual revenues that would divert significant resources from current services and programs.

While total committed debt is being tracked, committed debt service remains elusive as such would be tied to predictable capital projects delivery. With current capital project delivery backlog, it is difficult to predict when the undrawn debt would be drawn. For planning purposes, debt is assumed to be drawn three years after approval.

Debt service is variable based on timing and interest rates prevalent at the time debt is secured. Debt service represents interest and principal payments, therefore the greater the debt service payments, less is available for service/program provision.

3.5 General Expenditure Strategy

Regular quarterly and annual financial reports are prepared to compare the actual revenues and expenditures to budgeted amounts. These reports are distributed to management for review.

Budget must be in place for all expenditures for both operating costs and capital costs for capital projects. An expenditure may be made for an emergency that was not contemplated in the financial plan but the plan is amended, as soon as practical, to include the expenditure and the funding source.

For the preparation of this Fiscal Management Strategy, the following expenditure assumptions have been made:

- Operating cost growth of 3% per annum exclusive of debt service;
- Undrawn debt of \$351M at the end of 2012 will be drawn at the beginning of 2013 and thereafter all debt is drawn three years after commitment or approval;
- An interest rate of 3.5% has been assumed for future debt draws.

The RMWB debt strategy is:

- for debt limit, not exceed 75% of the debt limit per Municipal Government Act and regulations'; and
- for debt service, not exceed 75% of the debt service limit per Municipal Government Act and regulations.

4.0 RESERVES STRATEGY

4.1 Fiscal stability reserves

Central to best practices in public financial management is maintenance of adequate reserves to mitigate current and future risks such as:

- Revenue shortfalls,
- Unanticipated expenditures,
- To ensure stable property tax rates.

A number of considerations come into play in setting and funding fiscal stability reserves:

- Predictability, diversity and underlying risk associated with revenue sources,
- Disaster index,
- Liquidity or working capital requirements to cover disparity between financial resources available.

Through policy, the Municipality has created two fiscal stability reserves; Emerging Issues Reserve (EIR) and Capital Infrastructure Reserve (CIR).

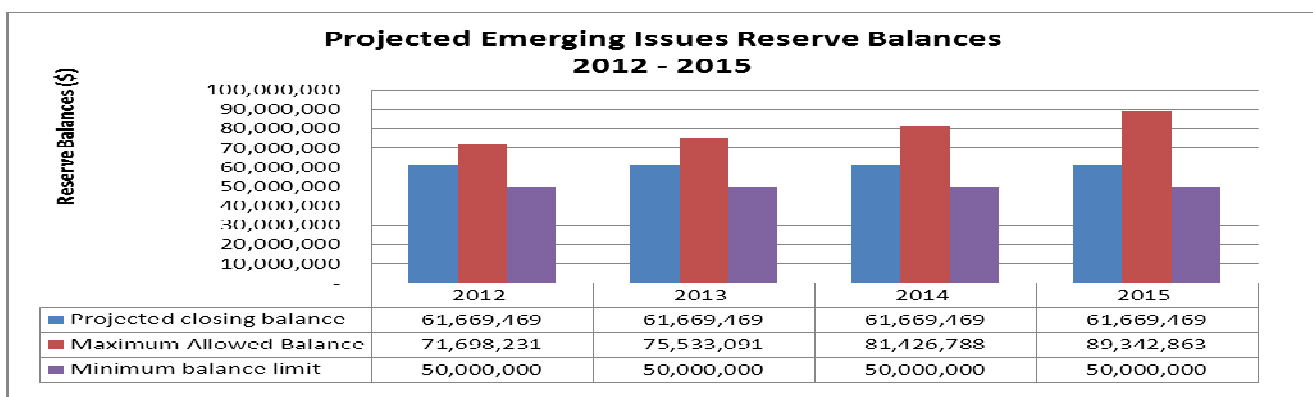
4.2 Reserve balance projections

Emerging Issues Reserve (EIR)

Prior to 2011, Council policy required that each year \$1.1M is budgeted plus the prior year's surplus to cover any unanticipated operating spending. The uncommitted balance at the end of each year is normally transferred to the Capital Infrastructure Reserve. In 2011 as part of the 2011 – 2014 Fiscal Management Strategy process, funding of the Emerging Issues Reserve was changed as follows:

- Maximum EIR balance equivalent to 15% of audited prior year's net property tax revenue and is subject to an uncommitted minimum balance of \$50M;
- \$1.1M annual funding discontinued beginning 2012; and
- Funds in excess of the maximum EIR balance to be transferred at each year end based on Council direction.

The following graph indicates projected balances in the EIR for the years 2012 – 2015.



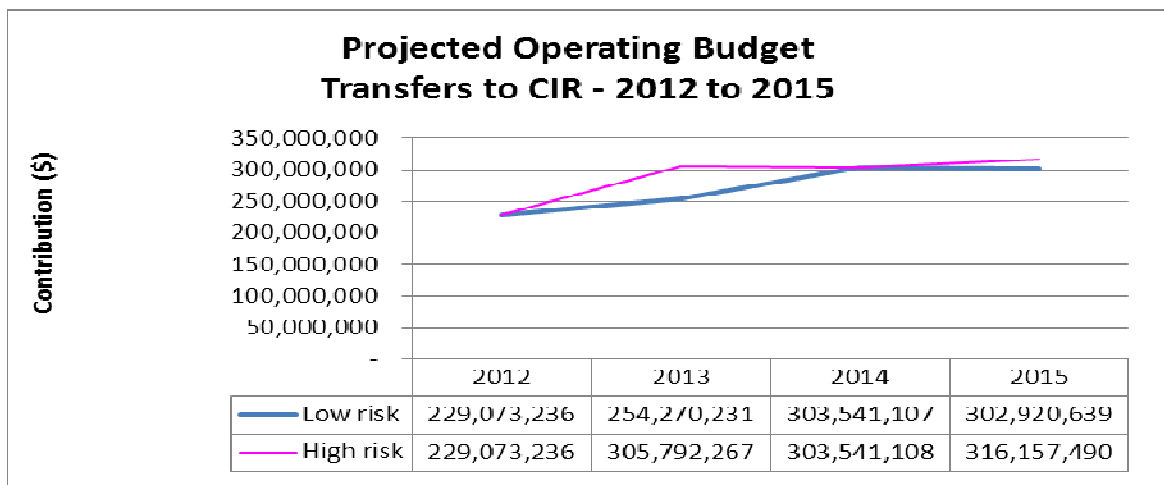
The table shows that minimum balance is maintained in the EIR.

Governance of the EIR is provided in the Fiscal Responsibility Policy.

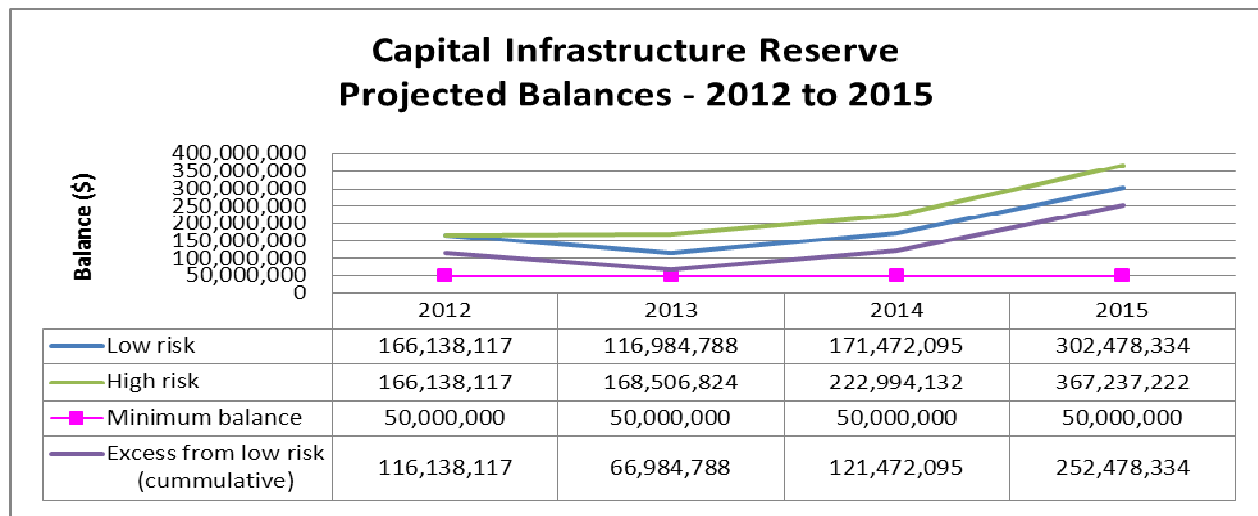
Capital Infrastructure Reserve

A Capital Infrastructure Reserve (CIR) has been established to provide a source for capital project funding with a minimum uncommitted balance of \$50M being maintained. The 2012 transfer to CIR is based on the amended budget per resolution included with the 2012 Tax Rate Bylaw.

The forecasted CIR contributions from operating budget are as follows:



Of interest to capital budget long-term financial planning, is how the forecast scenarios results impact ending balances relative to the minimum uncommitted balance of \$50M requirement.



The preceding graph indicates that both forecast scenarios exceed the \$50M uncommitted minimum balance requirement.

The projected CIR balances will provide flexibility to respond to future capital project funding requirements.

Funding requirements for the City Centre and Macdonald Island projects are still being determined and may require an adjustment of the 2012-2014 Fiscal Management Strategy in the future.

4.3 General Reserve Strategy

As part of a deliberate long-term planning and fiscal sustainability efforts, the Municipality has put in place two major reserves; Emerging Issues and Capital Infrastructure:

Emerging Issues Reserve (EIR)

The municipality has put in place the Emerging Issues Reserve to stabilize operating revenues in response to unanticipated loss of revenue as well as provide funding flexibility in responding to emergencies, unplanned events, and significant price changes. The minimum EIR balance is \$50M while the maximum is set at 15% of prior years' audited net property tax revenue. Council approval is required to utilize funding from the Emerging issues Reserve.

Capital Infrastructure Reserve (CIR)

The Municipality has put in place the Capital Infrastructure Reserve to fund unanticipated capital program requirements i.e. construction or acquisition of tangible capital assets. The minimum CIR balance is \$50M and Council approval is required to utilize funding from the Capital Infrastructure Reserve.

5.0 INVESTMENT STRATEGY

5.1 RMWB Investment Funds

The Regional Municipality of Wood Buffalo's investment of funds is governed by policy, FIN-140 - Investment Policy, approved by Council in October 2004.

The policy set three objectives as benchmarks for performance:

1. Safety – The municipality will ensure that sufficient diversification exists within the investment portfolio.
2. Liquidity – To the extent possible, the municipality will attempt to match its investments with anticipated cash flow requirements.
3. Return on Investment – The investment portfolio shall be designed with the objective of attaining a market rate of return, taking into consideration the municipality's investment risk constraints and liquidity requirements.

The municipality's investment program is primarily governed by certain sections of the Alberta Municipal Government Act (MGA) and the Alberta Trustee Act as amended.

5.2 RMWB Investment Portfolio

As of December 31, 2011, the municipality had \$703.9M investments with a market value of \$731.6M. The chart below summarizes the total fund performance since 2008:

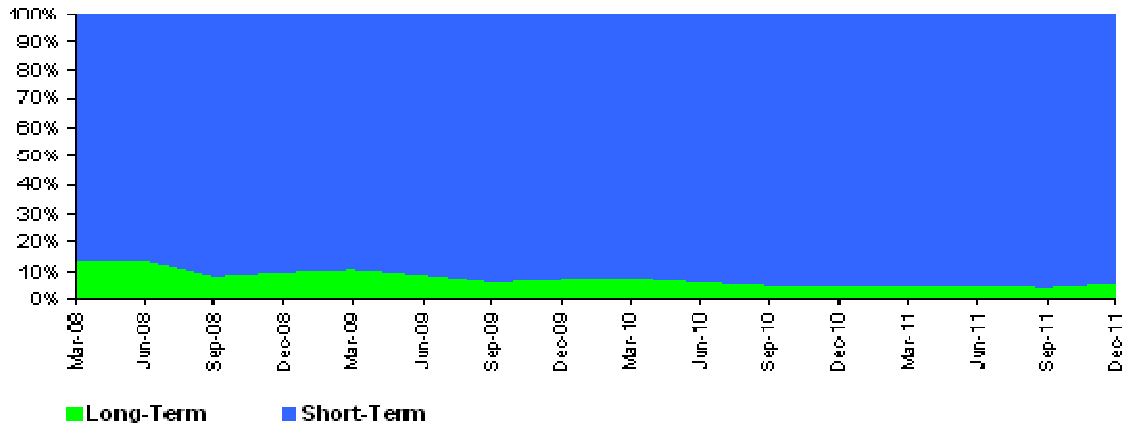
Performance Summary as at December 31, 2011

| Market Value (\$) | | Annualized | | | Annual (1-year Ending) | | | |
|-------------------|-------------------------|--------------|--------------|--------------|------------------------|--------------|--------------|-------------|
| | | 3 mths | 1 year | 4 years | 2011 | 2010 | 2009 | 2008 |
| 731.6 M | Total Portfolio | 0.6% | 3.5% | 3.3% | 3.5% | 2.4% | 2.8% | 4.5% |
| | DEX 91 Day T-Bill Index | 0.2% | 1.0% | 1.4% | 1.0% | 0.5% | 0.6% | 3.3% |
| | Excess Return | 0.4% | 2.5% | 1.9% | 2.5% | 1.9% | 2.3% | 1.2% |
| | DEX Short Term | 0.5% | 4.7% | 5.3% | 4.7% | 3.6% | 4.5% | 8.6% |
| | Quartile | Q1 | Q1 | Q1 | Q1 | Q1 | Q1 | Q1 |
| 42.7 M 5.8% | Long-Term Portfolio | 2.0% | 8.9% | 6.5% | 8.9% | 5.9% | 3.8% | 7.3% |
| | DEX Universe Bond Index | 2.1% | 9.7% | 7.0% | 9.7% | 6.7% | 5.4% | 6.4% |
| | Excess Return | -0.1% | -0.8% | -0.5% | -0.8% | -0.8% | -1.6% | 0.9% |
| | Quartile | Q3 | Q3 | Q4 | Q3 | Q4 | Q4 | Q1 |
| 688.9 M 94.2% | Short-Term Portfolio | 0.5% | 3.2% | 3.1% | 3.2% | 2.2% | 2.8% | 4.2% |
| | DEX 91 Day T-Bill Index | 0.2% | 1.0% | 1.4% | 1.0% | 0.5% | 0.6% | 3.3% |
| | Excess Return | 0.3% | 2.2% | 1.7% | 2.2% | 1.7% | 2.2% | 0.9% |
| | Quartile | Q1 | Q1 | Q1 | Q1 | Q1 | Q1 | Q1 |

5.8% of the total investment portfolio is in long term funds while the remaining 94.2% is in short term funds. Since 2009, the long term portfolio has performed below benchmark while the short term portfolio consistently performed above benchmark.

The bulk of the municipality's investment relates to funds for approved capital projects that are currently active.

Historical Asset Allocation



As seen from the graph above, most of the municipality's investment is in short term funds and this is driven by the fact that most of the funds are expected to be expended on an annual basis on current active capital projects.

5.3 RMWB Investment Strategy

The investment strategies adopted by the RMWB are to:

- i. rebalance investment term such that fiscal reserves balances are invested in the medium and long term periods; and
- ii. review current capital project backlog to establish cash flow which would inform term horizon.

6.0 FINANCIAL CONDITION STRATEGY

6.1 RMWB Net Assets Analysis

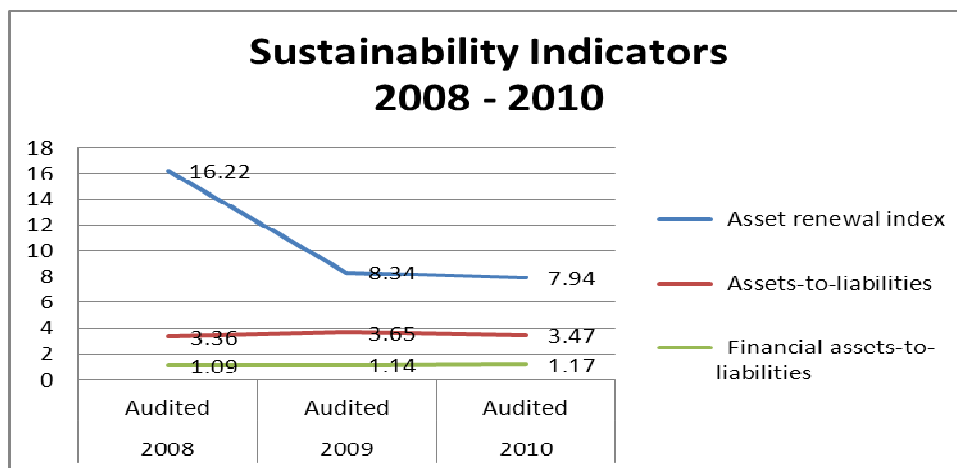
The Municipality uses three sets of financial condition measures:

- **SUSTAINABILITY** – the degree to which the Municipality can maintain existing programs, infrastructure and meet existing creditor requirements without increasing debt.
- **FLEXIBILITY** – the degree to which the Municipality can increase its financial resources to respond to rising commitments, by either expanding its revenues or increasing its debt burden.
- **VULNERABILITY** – the degree to which the Municipality becomes dependent on, and therefore, vulnerable to, sources of funding outside its control or influence.

6.2 Sustainability Indicators

Three indicators are used:

- *Assets-to-liabilities* – this is the degree to which total assets cover total liabilities. A ratio of 2:1 is desirable.
- *Financial assets-to-liabilities* – this is the degree of cover provided by cash and 'near' cash assets over total liabilities. A ratio of 2:1 is desirable.
- *Asset renewal index* – this is the measure of how much an organization is expending in asset renewal relative to depreciation expense.

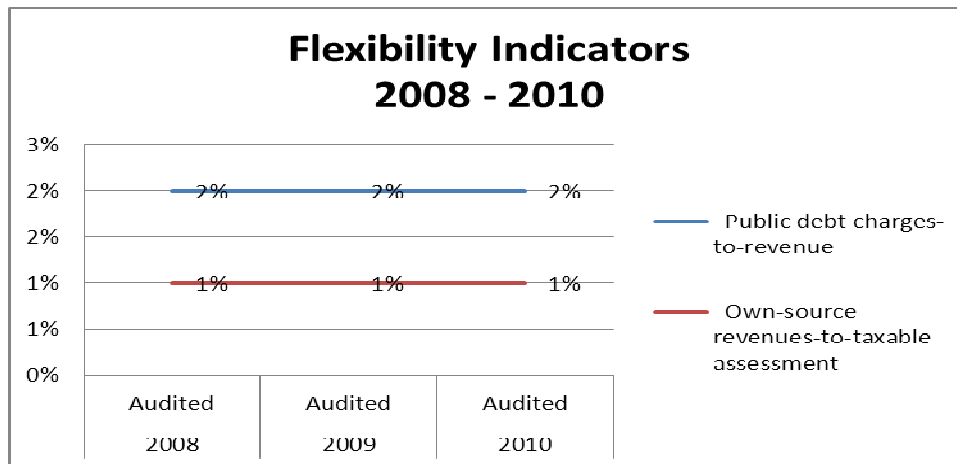


In general, the municipality is in a strong financial position. In terms of future pressure to spend on asset rehabilitation, such appears to be contained as the municipality is spending \$8 in asset renewal for every \$1 of amortization in 2010. This indicates a high level of investment to keep infrastructure available. The municipality has financial and non-financial asset base to meet total liabilities. However, some degree of risk exists when comparing financial assets as a cover for liabilities of 1.17:1 in 2010 in comparison to a desired ration of 2:1. Upon further review, a large component of the liabilities recorded impacting this ratio are attributed to grant funding received but not expended according to terms of grant agreements. For most part, this represents a timing difference.

6.3 Flexibility Indicators

Two indicators are used:

- *Public debt charges-to-revenue* – this is a measure of how much resources or revenues are dedicated to debt service or payment of interest.
- *Own-source revenues-to-taxable assessment* – this is a measure of non-property tax revenue against taxable assessment.

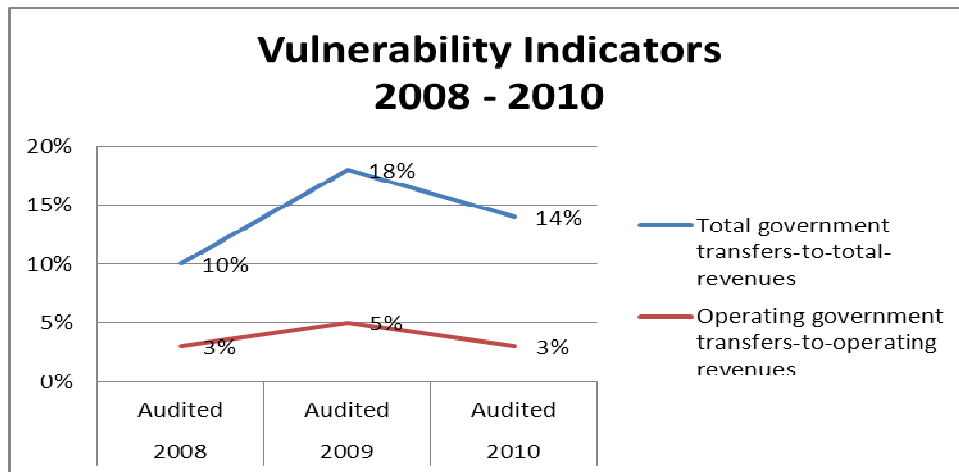


The Municipality has very a low debt service burden. This indicates that debt service levels are not negatively impacting delivery of programs and infrastructure or no significant amounts of revenues are being diverted to pay for debt. The own-source revenue ratio indicates heavy dependence on property tax revenue. However, the context for this measure for the Municipality is that in reality the taxable assessment base is significant.

6.4 Vulnerability Indicators

Two indicators are used:

- *Operating government transfers-to-operating revenue* – this is a measure of how much the municipality is dependent on provincial and federal transfers to fund operating budget programs.
- *Total government transfers-to-total revenues* – this is a measure of level of provincial and federal transfers to support both operating and capital programs at the municipality.



Operating transfers from Provincial and Federal governments are limited. The bulk of the transfers support community or not-for-profit organizations and the Municipality acts as a distributing agency. Total government transfers are a combination of operating and capital transfers. Most government transfers relate to capital grants. More transfers for this purpose are desirable.

Alberta Municipal Affairs has developed a voluntary self-assessment toolkit for municipalities. This toolkit incorporates some of the measures that the Municipality is already using to manage financial resources. Results from this assessment tool indicate that the Municipality has a sound financial management framework in place.

6.5 Equity Balances/Accumulated Surplus

By Municipal Policy, actual operating surpluses are added to the Emerging Issues Reserve.



Subject: By-Election 2012

APPROVALS:

Glen Laubenstein, Chief Administrative Officer
Brian Makey, Deputy Chief Administrative Officer
Surekha Kanzig, Director

Administrative Recommendations:

1. THAT a by-election be held in Ward 1 of the Regional Municipality of Wood Buffalo on Monday, June 25, 2012.

THAT Darlene Soucy be appointed Returning Officer to conduct the 2012 Ward 1 Municipal By-Election, and be authorized to divide the local jurisdiction into voting subdivisions.

THAT advance votes be held for the 2012 Ward 1 Municipal By-Election on dates and times determined by the Returning Officer.

THAT institutional voting stations be established on June 25, 2012, for the 2012 Ward 1 Municipal By-Election at Northern Lights Regional Health Centre, Continuing Care Unit, Northern Lights Regional Health Centre and Rotary House.

THAT, at the request of a physically incapacitated elector, deputy returning officers attend the incapacitated elector's residence for the purpose of taking the elector's vote, by appointment, between the hours of 9:00 a.m. and 8:00 p.m. on June 25, 2012, for the 2012 Ward 1 Municipal By-Election.

2. THAT Bylaw No. 12/015, being a bylaw to establish time and location to receive nominations, and to require nomination deposits, be read a first time.
3. THAT Bylaw No. 12/015 be read a second time.
4. THAT Bylaw No. 12/015 be considered for third and final reading.
5. THAT Bylaw No. 12/015 be read a third and final time.
6. THAT Bylaw No. 12/016, being a bylaw to provide for the opening of voting stations prior to 10:00 a.m., be read a first time.
7. THAT Bylaw No. 12/016 be read a second time.
8. THAT Bylaw No. 12/016 be considered for third and final reading.
9. THAT Bylaw No. 12/016 be read a third and final time.

Summary:

As a result of the 2012 Provincial Election, there are currently two vacancies on Council. The Municipal Government Act requires that the Municipality hold a by-election to fill the vacant positions. The by-election must be conducted in accordance with the provisions of the Local Authorities Election Act. A resolution of Council is required to establish the date of the by-election, appoint a Returning Officer, to authorize the Returning Officer to divide the ward into voting subdivisions and to hold advance votes on the days and hours determined by the Returning Officer. Council may pass a resolution to designate the location of one or more institutional voting stations for an election, and make arrangements to take the vote of an elector who, because of physical incapacity, is unable to attend a voting station.

The Local Authorities Election Act states that an elected authority may pass a bylaw to receive nominations earlier than 10:00 a.m., establish the location where nominations may be received and set nomination deposit amounts. Also, an elected authority may pass a bylaw to provide that voting stations be open prior to 10:00 a.m.

Background:

The outcome of the Provincial Election that was held on Monday, April 23, 2012, resulted in two vacancies on Council. The Municipal Government Act requires that a by-election be held if there is more than one vacancy and there is less than 18 months remaining before the next general election. The by-election must be held within 90 days of the vacancy occurring on the date set by resolution of Council and the by-election must be conducted in accordance with the provisions of the Local Authorities Election Act.

Budget/Financial Implications:

The cost of conducting the by-election will be accommodated within the 2012 budget.

Rationale for Recommendations:

The Municipal Government Act requires that a by-election be held within 90 days of the vacancy occurring, and the proposed date falls within this time frame. It is recommended that the Municipality's Elections Officer be appointed as Returning Officer for the purpose of conducting the 2012 Ward 1 Municipal By-Election. It is also recommended that the Returning Officer be authorized to divide the ward into voting subdivisions, to set the advance votes, as well as continue to provide voting at institutions and for physically incapacitated electors at home. This will ensure the Municipality avails of every option to increase voting access for residents.

In order to meet the legislative requirements of the Local Authorities Election Act, it is recommended that Bylaw No. 12/015 and Bylaw No. 12/016 be considered for all three readings on May 8, 2012.

Attachments:

1. Bylaw No. 12/015
2. Bylaw No. 12/016

Author: Darlene Soucy

Department: Council and Legislative Services

BYLAW NO. 12/015

BEING A BYLAW OF THE REGIONAL MUNICIPALITY OF WOOD BUFFALO TO ESTABLISH TIME AND LOCATION TO RECEIVE NOMINATIONS AND NOMINATION DEPOSIT FEES FOR THE 2012 WARD 1 MUNICIPAL BY-ELECTION.

WHEREAS pursuant to the *Local Authorities Election Act*, R.S.A. 2000 c. L-21, as amended, an elected authority may pass a bylaw to receive nominations earlier than 10:00 a.m. and to establish locations where nominations may be received on Nomination Day;

AND WHEREAS pursuant to the *Local Authorities Election Act*, R.S.A. 2000 c. L-21, as amended, an elected authority may pass a bylaw to require that every nomination be accompanied with a deposit in the amount fixed in the bylaw;

AND WHEREAS the Council of Regional Municipality of Wood Buffalo deems it appropriate to establish the time and location to receive nominations on Nomination Day and require every nomination to be accompanied with a deposit for the 2012 Ward 1 Municipal By-Election;

NOW THEREFORE, the Council of the Regional Municipality of Wood Buffalo, duly assembled, enacts as follows:

1. For purposes of the 2012 Ward 1 Municipal By-Election to be held on June 25, 2012, nominations may be received between 8:30 a.m. and 12 p.m. (noon) on Nomination Day, May 28, 2012, at the Jubilee Centre Council Chamber, located at 9909 Franklin Avenue, Fort McMurray, Alberta.
2. Candidates for the office of Councillor must file a \$100.00 deposit with their nomination form.
3. The deposit must be in cash or by certified cheque or money order payable to Regional Municipality of Wood Buffalo.
4. This Bylaw shall become effective when it receives third and final reading and has been signed by the Mayor and Chief Legislative Officer.

READ a first time this _____ day of _____, 2012.

READ a second time this _____ day of _____, 2012.

READ a third time this _____ day of _____, 2012.

SIGNED and PASSED this _____ day of _____, 2012.

Mayor

Chief Legislative Officer

BYLAW NO. 12/016

BEING A BYLAW OF THE REGIONAL MUNICIPALITY OF WOOD BUFFALO TO ESTABLISH THE TIME FOR VOTING STATIONS TO BE OPEN FOR THE 2012 WARD 1 MUNICIPAL BY-ELECTION.

WHEREAS pursuant to the *Local Authorities Election Act*, R.S.A. 2000 c. L-21, as amended, an elected authority may pass a bylaw to provide that voting stations are to be open before 10:00 a.m.;

AND WHEREAS the Council of Regional Municipality of Wood Buffalo deems it appropriate to establish the time for voting stations to open for the 2012 Ward 1 Municipal By-Election;

NOW THEREFORE, the Council of the Regional Municipality of Wood Buffalo, duly assembled, enacts as follows:

1. For purposes of the 2012 Ward 1 Municipal By-Election, every voting station shall be kept open continuously from 9:00 a.m. until 8:00 p.m.
2. This Bylaw shall become effective when it receives third and final reading and has been signed by the Mayor and Chief Legislative Officer.

READ a first time this _____ day of _____, 2012.

READ a second time this _____ day of _____, 2012.

READ a third and final time this _____ day of _____, 2012.

SIGNED and PASSED this _____ day of _____, 2012.

Mayor

Chief Legislative Officer

