



Council Meeting

Jubilee Centre Council Chamber
9909 Franklin Avenue, Fort McMurray

Tuesday, April 23, 2013
6:00 p.m.

Agenda

Call To Order

Opening Prayer

Adoption of Agenda

Minutes of Previous Meetings

1. Minutes of April 9, 2013

Delegations

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.

Presentations

2. Rachel Gosse, Deloitte and David Bastian, Deloitte - Auditors re: 2012 Audited Consolidated Financial Statements

Business Arising from Presentations

3. 2012 Audited Consolidated Financial Statements

4. 2013 – 2015 Fiscal Management Strategy

Bylaws

5. Bylaw No.13/016 – 2013 Property Tax Rate

Reports

6. User Fees and Charges Policy- FIN-030
7. Sublease - Displaced Not-for-Profit Organizations

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 09, 2013, commencing at 6:00 p.m.

Present: M. Blake, Mayor
D. Blair, Councillor
C. Burton, Councillor
S. Germain, Councillor
D. Kirschner, Councillor (via teleconferencing)
P. Meagher, Councillor
J. Stroud, Councillor
C. Tatum, Councillor
R. Thomas, Councillor
A. Vinni, Councillor

Absent: L. Flett, Councillor

Administration: G. Laubenstein, Chief Administrative Officer
S. Kanzig, Chief Legislative Officer
A. Hawkins, Legislative Officer
R. Kendall, Legislative Coordinator

Call To Order

Mayor Blake called the meeting to order at 6:16 p.m.

Opening Prayer

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

Adoption of Agenda

Moved by Councillor P. Meagher that the agenda be amended by moving the Report - Approval of Proposed Expropriations of Five (5) Properties from Item #8 to Item #4.1; and that the agenda be adopted as amended.

CARRIED UNANIMOUSLY

Minutes of Previous Meetings

1. Minutes of March 26, 2013

Moved by Councillor R. Thomas that the minutes from the March 26, 2013 Council meeting be approved as presented.

CARRIED UNANIMOUSLY

2. Leave of Absence Amendment – Councillor David Kirschner

Moved by Councillor R. Thomas that the leave of absence for Councillor David Kirschner be amended from April 15, 2013 to March 26, 2013.

CARRIED UNANIMOUSLY

Delegations

3. Kiran Malik-Khan re: Master's Thesis Presentation: Community Image, External Media and our Community Leaders

Kiran Malik-Khan gave an overview of her thesis and the community image within the Municipality of Wood Buffalo.

Moved by Councillor R. Thomas that the presentation made by Kiran Malik-Khan's be accepted as information.

CARRIED UNANIMOUSLY

4. Delegations related to Proposed Expropriations

Frances Jean, City Centre Group Inc. spoke in support of downtown development but expressed objection to the proposed expropriation identifying lack of parking as a concern.

Moved by Councillor R. Thomas that the presentation made by Frances Jean be accepted as information.

CARRIED UNANIMOUSLY

Kim Wolff, Wolff Taitinger Law Office, spoke in opposition of the proposed expropriation noting that the expropriation is premature, but expressed his support for redevelopment of the downtown area.

Moved by Councillor P. Meagher that the presentation made by Kim Wolff be accepted as information.

CARRIED UNANIMOUSLY

J. Ryan Taitinger, WWT Holdings Ltd. spoke in opposition to the proposed expropriation raising the cost of developing parking stalls as a major concern.

Moved by Councillor P. Meagher that the presentation made by J. Ryan Taitinger be accepted as information

CARRIED UNANIMOUSLY

Kevin Person, owner/operator of The Keg spoke in opposition to the proposed expropriation based on lack of parking, but supported downtown development.

Moved by Councillor R. Thomas that the presentation made by Kevin Person be accepted as information

CARRIED UNANIMOUSLY

Tony Loga, General Manager, The Keg, spoke in opposition to the proposed expropriation and echoed the concerns raised by Kevin Person.

Moved by Councillor Meagher that the presentation made by Tony Loga be accepted as information

CARRIED UNANIMOUSLY

Andrea Janzen, Keg Restaurants Ltd. spoke in opposition to the proposed expropriation which will have a significant impact on the business and the ability to operate successfully.

Moved by Councillor P. Meagher that the presentation made by Andrea Janzen be accepted as information.

CARRIED UNANIMOUSLY

Don Mallon, Q.C. 1179216 Alberta Ltd and Keg Restaurants Ltd. spoke in opposition and requested that the Municipality practice due diligence before proceeding with the proposed expropriation.

Moved by Councillor R. Thomas that the presentation made by Don Mallon be accepted as information.

CARRIED UNANIMOUSLY

Yuri Fulmer, Operator of A & W, spoke in opposition to the proposed expropriation which will displace the business if approved.

Moved by Councillor P. Meagher that the presentation made by Yuri Fulmer be accepted as information.

CARRIED UNANIMOUSLY

David MacDonald, Scotian Enterprises spoke in support of the City Centre Development which will attract new small businesses and create a vibrant and walkable downtown area.

Moved by Councillor R. Thomas that the presentation made by David MacDonald be accepted as information.

CARRIED UNANIMOUSLY

Roy Weibe, Morrison Centre, spoke in support of the proposed expropriation and redevelopment of the downtown area.

Moved by Councillor R. Thomas that the presentation made by Roy Weibe be accepted as information.

CARRIED UNANIMOUSLY

Frank Creasy, Fort McMurray Tourism, spoke in support to the City Centre Development which will provide a focal point for residence and visitors.

Moved by Councillor Meagher that the presentation made by Frank Creasy be accepted as presentation.

CARRIED UNANIMOUSLY

Martin Pallard, Tax and Accounting spoke in support of the proposed expropriation and redevelopment of the downtown area.

Moved by Councillor C. Burton that the presentation made by Martin Pallard be accepted as information.

CARRIED UNANIMOUSLY

Paul Sarlis, Restaurex Corp spoke in opposition to the proposed expropriation while supporting redevelopment in the downtown area.

Moved by Councillor P. Meagher that the presentation made by Paul Sarlis be accepted as information

CARRIED UNANIMOUSLY

Sean Carroll, spoke in support of the development of a downtown arena.

Moved by Councillor Thomas that the presentation made by Sean Carroll be accepted as information.

CARRIED UNANIMOUSLY

A break occurred from 8:06 p.m. to 8:26 p.m.

Further Delegations

Matthew Youens spoke in opposition to the proposed expropriation as well as support of development in the downtown area.

Moved by Councillor D. Blair that the presentation made by Matthew Youens be accepted as information

CARRIED UNANIMOUSLY

Kim Farwell spoke in support of the downtown redevelopment, but has concerns of the location and possible increased taxes for residents.

Moved by Councillor P. Meagher that the presentation made by Kim Farwell be accepted as information

CARRIED UNANIMOUSLY

Roger Ibbotson spoke in support to the proposed expropriation and redevelopment of the downtown area.

Moved by Councillor R. Thomas that the presentation made by Roger Ibbotson be accepted as information.

CARRIED UNANIMOUSLY

Mike Durocher spoke in support of the proposed expropriation, but expressed concern as to the location of the arena.

Moved by Councillor Thomas that the presentation made by Mike Durocher be accepted as information

CARRIED UNANIMOUSLY

Kim Eusano spoke in opposition to the proposed expropriation.

Moved by Councillor P. Meagher that the presentation made by Kim Eusano be accepted as information.

CARRIED UNANIMOUSLY

Nick Sanders, president of Fort McMurray Chamber of Commerce, spoke in support of the City Centre Area Development Plan but suggests there are concerns with respect to the location of the proposed arena.

Moved by Councillor P. Meagher that the presentation made by Nick Sanders be accepted as information.

CARRIED UNANIMOUSLY

Mary Lindsey McNutt spoke in opposition to the location of the proposed arena.

Moved by Councillor J. Stroud that the presentation made by Mary Lindsey McNutt be accepted as information.

CARRIED UNANIMOUSLY

Len Marcischuk spoke in favour of the development of a new arena but not in the location as proposed.

Moved by Councillor P. Meagher that the presentation made by Len Marcischuk be accepted as information.

CARRIED UNANIMOUSLY

Bryce Kumka spoke in support of the development of an arena in the downtown area.

Moved by Councillor R. Thomas that the presentation made by Bryce Kumka be accepted as information.

CARRIED UNANIMOUSLY

Robert Vargo spoke in support of the downtown arena and listed some benefits for the Municipality.

Moved by Councillor J. Stroud that the presentation made by Robert Vargo be accepted as information.

CARRIED UNANIMOUSLY

Craig Ewashko spoke in opposition to the proposed expropriation.

Moved by Councillor P. Meagher, that the presentation made by Craig Ewashko be accepted as information.

CARRIED UNANIMOUSLY

Ashley Kowalewski spoke in support of the redevelopment of the downtown area.

Moved by Councillor D. Blair that the presentation made by Ashley Kowalewski be accepted as information.

CARRIED UNANIMOUSLY

Phil Jean spoke in opposition to the location of the arena being proposed.

Moved by Councillor P. Meagher that the presentation made by Phil Jean be accepted as information.

CARRIED UNANIMOUSLY

Luana Bussieres spoke opposition to the development of an arena in the downtown area.

Moved by Council J. Stroud that the presentation made by Luana Bussieres be accepted as information.

CARRIED UNANIMOUSLY

Les Biola spoke in support of the proposed expropriation.

Moved by Councillor J. Stroud that the presentation made by Les Biola be accepted as information.

CARRIED UNANIMOUSLY

Ujeer Ahmed, small business owner spoke in support of any improvements to can be made to the Municipality.

Councillor R. Thomas moved that the presentation made by Ujeer Ahmed be accepted as information.

CARRIED UNANIMOUSLY

Lisa Radetic spoke in support of the proposed expropriation.

Moved by Councillor R. Thomas that the presentation made by Lisa Radetic be accepted as information.

CARRIED UNANIMOUSLY

Matt Creighton spoke in support of the redevelopment of the downtown area but expressed concerns regarding parking availability.

Moved by Councillor J. Stroud that the presentation made by Matt Creighton be accepted as information.

CARRIED UNANIMOUSLY

Moved by Councillor A. Vinni that the Council meeting be extended past the 10:00 p.m. curfew.

CARRIED UNANIMOUSLY

A break occurred from 10:10 p.m. to 10:30 p.m.

4.1 Approval of Proposed Expropriations of Five (5) Properties

Ron Taylor, Executive Director, City Centre Redevelopment, provided an overview of the proposed City Centre Area Development.

Moved by Councillor R. Thomas that Council approve the expropriation of the lands described in Attachment 1 (Property Description, dated March 26, 2013), and authorize the Mayor and Chief Legislative Officer (CLO) to sign the Certificate of Approval for each of the properties and authorize the CLO or her delegate to execute such further documents as required pursuant to the *Expropriation Act*.

CARRIED

FOR: M. Blake, D. Blair, C. Burton, S. Germain, J. Stroud, C. Tatum, R. Thomas, A. Vinni

OPPOSED: P. Meagher, D. Kirschner,

Moved by Councillor R. Thomas that Council consider the Report of Inquiry Officer Larry Carr in Attachment 2 dated March 15, 2013 regarding the lands described in Attachment 3 (Property Descriptions, dated April 9, 2013) and approve the expropriation of the lands described in Attachment 3, providing reasons for that decision as outlined in Attachment 6 (Reasons for Decision), and authorize the Mayor and Chief Legislative Officer (CLO) to sign the Certificate of Approval for each of the properties and authorize the CLO or her delegate to execute such further documents as required pursuant to the *Expropriation Act*.

CARRIED

FOR: M. Blake, D. Blair, C. Burton, S. Germain, J. Stroud, C. Tatum, R. Thomas, A. Vinni

OPPOSED: P. Meagher, D. Kirschner

A break occurred from 12:30 a.m. to 12:40 a.m.

Moved by Councillor S. Germain to defer the remainder of the items on the Agenda to the Council meeting in two weeks.

DEFEATED

FOR: S. Germain, D. Kirschner

OPPOSED: M. Blake, D. Blair, C. Burton, P. Meagher, J. Stroud, C. Tatum, R. Thomas, A. Vinni

Reports

5. Increasing Urban Area Child Care Spaces

Moved by Councillor R. Thomas that:

- Funding to a maximum of \$370,000 be allocated from the 2013 Employee Development and Support Services Operating Budget for initial set up and proportionate utilities costs for an employer supported licensed child care facility.
- In the event funding cannot be accommodated in the 2013 Employee Development and Support Services Operating Budget, funding be allocated from the 2013 Corporate Operating Budget surplus.
- In the event funding cannot be accommodated in the 2013 Corporate Operating Budget surplus, funding be allocated from the Emerging Issues Reserve.

CARRIED UNANIMOUSLY

6. Appointment to the 2015 Wood Buffalo Host Society Board of Directors – Western Canada Summer Games

Moved by Councillor P. Meagher that the following appointment be made to the 2015 Wood Buffalo Host Society Board of Directors, effective immediately, until December 31, 2015:

Marlene Lane – Director of Regional Relations

CARRIED UNANIMOUSLY

Adjournment

Moved by Councillor S. Germain that the meeting be adjourned.

CARRIED UNANIMOUSLY

The meeting adjourned at 1:00 a.m.

Mayor

Chief Legislative Officer



Regional Municipality of
Wood Buffalo
Presentation to Council
2012 External Audit Completion
Summary

April 23, 2013

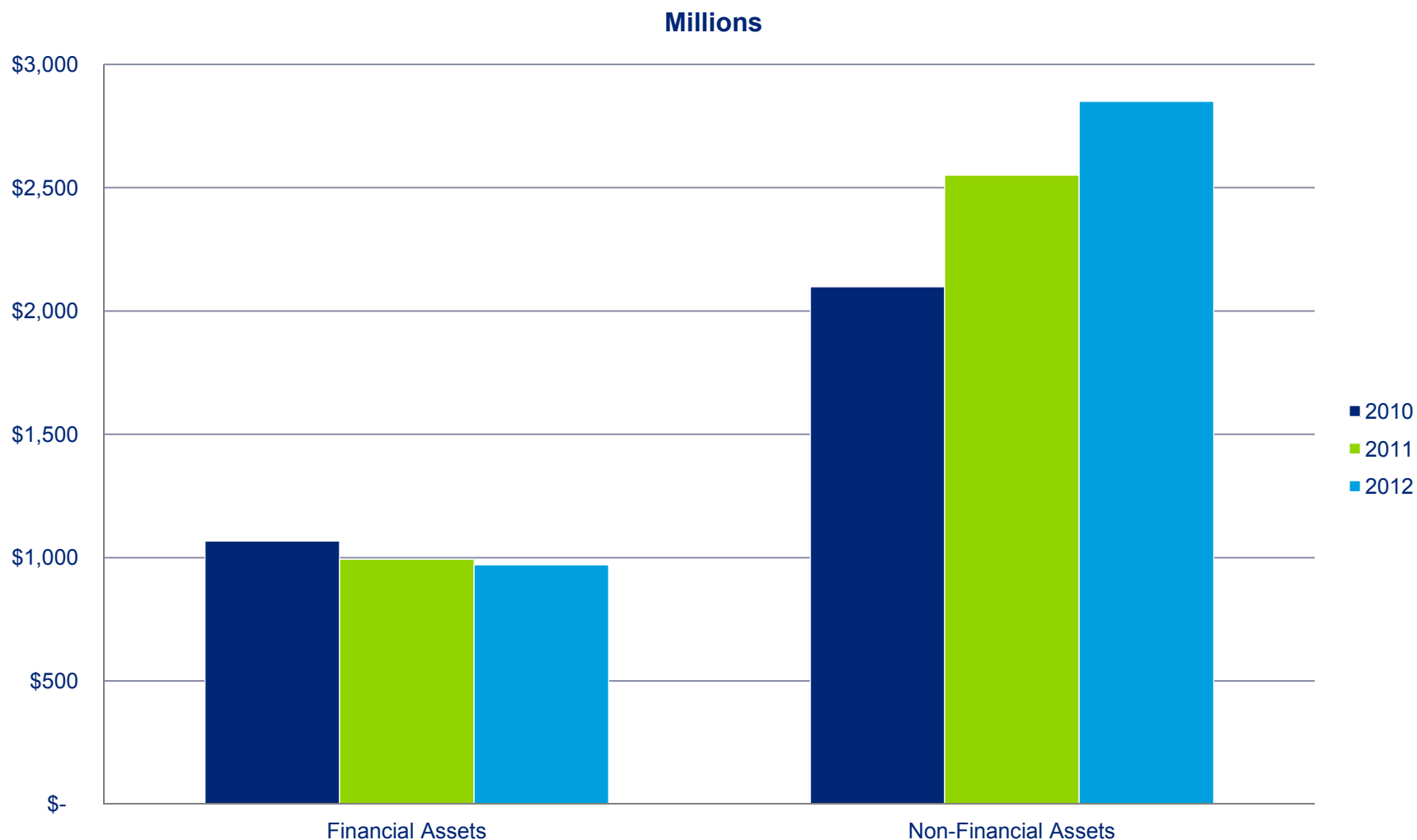
Regional Municipality of Wood Buffalo Independent Auditor's Reports

- Unmodified audit opinion on the consolidated financial statements of the Regional Municipality of Wood Buffalo for the year ended December 31, 2012
- In addition, we will provide separate reports on the following:
 - Municipal Financial Information Return
 - Family and Community Support Services
 - Local Authorities Pension Plan
 - Certain Federal and Provincial grant compliance reports

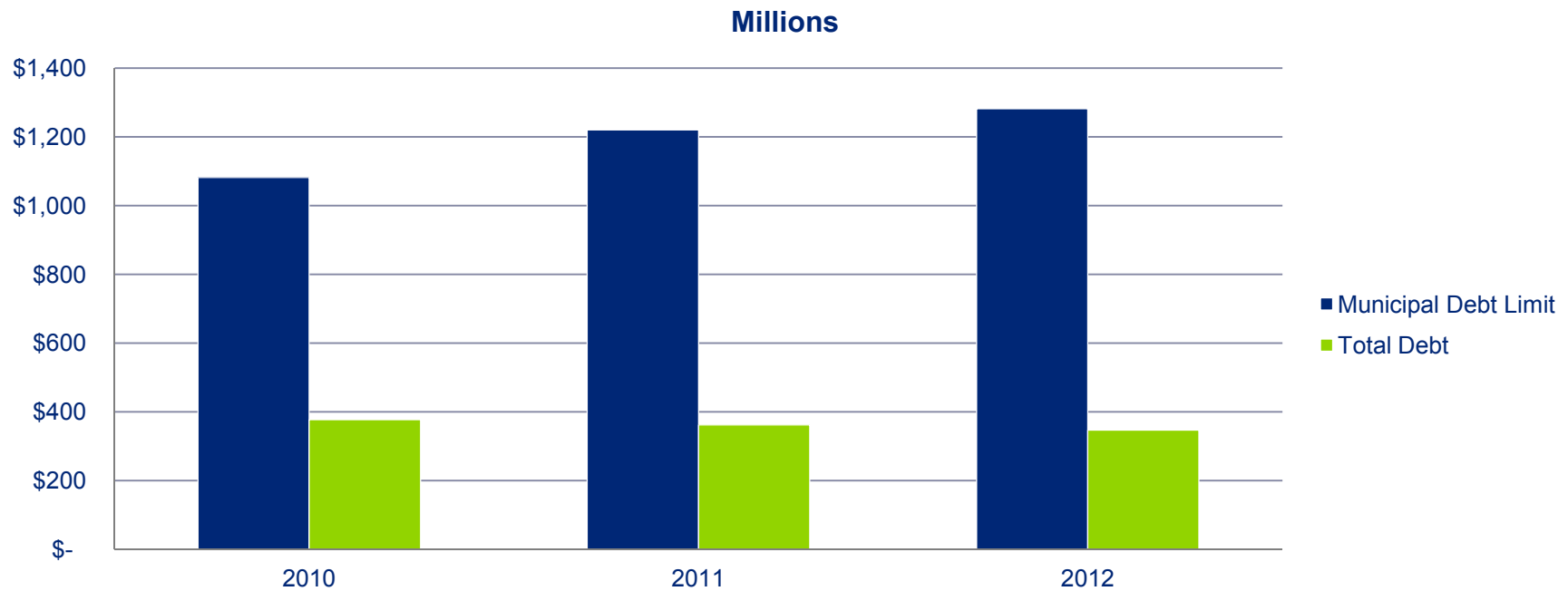
Regional Municipality of Wood Buffalo Independent Auditor's Reports

- We were also engaged and have previously reported on the following entities for the year ended December 31, 2012:
 - MacDonald Island Park Corporation
 - Wood Buffalo Housing & Development Corporation
 - Regional Municipality of Wood Buffalo Library

2012 Audited Results (Consolidated Financial and Non-Financial Assets)



2012 Audited Results (Consolidated Financial and Non-Financial Assets)



- Within legislative limits and municipal policy
- The Municipality's Debt Management Policy has an established debt and debt service limit of 85% (2011 - 75%) of the Municipal Government Act regulations limits
- Debt service limit is at 14.01% (2011 – 14.98%, 2010 – 17.34%)

Regional Municipality of Wood Buffalo

Our thanks

We would like to take this opportunity to thank Administration and Staff of the Regional Municipality of Wood Buffalo for their significant efforts in completing the 2012 audit.

Deloitte.

Subject: 2012 Audited Consolidated Financial Statements**APPROVALS:**

Kola Oladimeji, Director
Elsie Hutton, Executive Director
Glen Laubenstein, Chief Administrative Officer

Administrative Recommendation:

THAT the 2012 Audited Consolidated Financial Statements of the Regional Municipality of Wood Buffalo for the year ended December 31, 2012, 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 for the preceding year.

Background:

All subsidiary information, which includes the Regional Municipality of Wood Buffalo Library, MacDonald Island Park Corporation and Wood Buffalo Housing and Development Corporation have been fully consolidated within the Regional Municipality of Wood Buffalo Financial Statements.

The Municipality's 2012 Audited Consolidated Financial Statements have been reviewed by Deloitte and will be made available to the public by way of Public Council Meeting and the Regional Municipality of Wood Buffalo website. The auditors will provide a 2012 Audit Report following completion of their audit work.

Budget/Financial Implications:

The 2012 year ended with a surplus of \$2.3M transferred to the Emerging Issues Reserve. This transfer will be in addition to the minimum \$50M 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 0.61% of the 2012 Approved Operating Budget.

Rationale for Recommendation:

Section 276 of the *Municipal Government Act* requires that all municipalities prepare annual financial statements and the auditor's report by May 1 of each year for the immediate preceding year.

The Municipality continues to exhibit a strong financial position as represented in the attached financial statements. This supports a strong foundation as we move forward with the presentation of the 2013-2015 Fiscal Management Strategy.

Attachment:

1. 2012 Consolidated Financial Statements

Consolidated Financial Statements of

**REGIONAL MUNICIPALITY
OF WOOD BUFFALO**

Year ended December 31, 2012

Consolidated Financial Statements of
REGIONAL MUNICIPALITY OF WOOD BUFFALO
Year ended December 31, 2012

Management's Responsibility for the Consolidated Financial Statements

Independent Auditor's Report

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

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of the Regional Municipality of Wood Buffalo (the "Municipality") are the responsibility of the Municipality's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards. A summary of the significant accounting policies followed by the Municipality are described in Note 1 to the consolidated financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Municipality's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Mayor and Members of Council met with management and the external auditors to discuss the consolidated financial statement and any significant financial reporting or internal control matters prior to the management approval of the consolidated financial statements.

The consolidated financial statements have been audited by Deloitte LLP, independent auditors appointed by the Municipality. The Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Municipality's consolidated financial statements.

For: Regional Municipality of Wood Buffalo

Elsie Hutton, CMA
Chief Financial Officer

Glen Laubenstein
Chief Administrative Officer

April 23, 2013

REGIONAL MUNICIPALITY OF WOOD BUFFALO
Consolidated Statement of Financial Position

December 31, 2012

	2012	2011
Financial assets		
Cash and cash equivalents	\$ 83,910,430	\$ 23,631,478
Restricted cash (Note 2)	24,968,743	23,147,571
Taxes and grants in lieu receivable (Note 3)	5,795,482	5,324,030
Trade and other receivables (Note 4)	61,052,505	110,348,635
Inventories held for resale (Note 5)	58,134,118	66,689,619
Investments (Note 6)	726,473,330	755,857,927
Mortgages and notes receivable (Note 7)	10,193,778	7,805,221
	<u>970,528,386</u>	<u>992,804,481</u>
Liabilities		
Accounts payable and accrued liabilities	123,265,596	133,114,943
Deposit liabilities	8,706,412	8,749,445
Deferred revenue (Note 8)	248,600,959	274,941,921
Employee benefit obligations (Note 9)	16,562,013	13,885,832
Provision for landfill closure and post-closure obligation (Note 10)	13,518,275	12,190,490
Long-term debt (Note 11,12)	<u>438,922,282</u>	<u>456,332,345</u>
	<u>849,575,537</u>	<u>899,214,976</u>
Net financial assets	<u>120,952,849</u>	<u>93,589,505</u>
Non-financial assets		
Tangible capital assets (Note 13)	2,841,795,791	2,548,455,548
Consumable inventories	3,241,271	513,108
Prepaid expenses	<u>5,147,072</u>	<u>2,411,562</u>
	<u>2,850,184,134</u>	<u>2,551,380,218</u>
Accumulated surplus (Note 14)	<u>\$ 2,971,136,983</u>	<u>\$ 2,644,969,723</u>

Contractual obligations and contingent liabilities (Note 15)

See accompanying notes to 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, 2012

	Budget	2012	2011
	(Unaudited)		
Revenue:			
Net taxes available for municipal purposes (Schedule 1)	504,053,940	498,979,932	480,027,699
Government transfers (Schedule 2)	46,696,318	107,211,828	119,068,740
Sales and user charges (Schedule 3)	82,340,752	86,710,572	81,417,932
Sales to other governments	4,397,954	5,341,330	2,077,293
Penalties and costs on taxes	1,313,085	2,210,060	1,576,980
Licenses and permits	7,048,012	11,132,361	10,583,341
Fines	3,113,475	5,532,318	3,435,635
Franchise and concession contracts	4,737,663	4,576,685	4,598,555
Returns on investments	16,147,565	21,183,689	23,118,587
Rentals	20,446,667	24,462,760	21,332,118
Developers' agreements and levies	-	10,425,834	18,549
Other	2,665,131	5,867,731	7,474,880
Gain on disposal of tangible capital assets	-	735,252	16,026,552
Contributions of tangible capital assets	-	40,345,352	82,082,914
	692,960,562	824,715,704	852,839,775
Expenses: (Schedule 4)			
Council and other legislative	2,125,102	1,916,781	1,468,407
General administration	75,142,080	101,258,749	77,978,117
Other general government	3,048,510	3,909,702	3,848,328
Police	29,803,469	37,842,090	31,840,651
Fire	23,232,208	26,540,852	24,700,258
Disaster and emergency measures	755,313	1,204,450	722,111
Ambulance and first aid	7,535,260	8,548,337	6,774,157
Bylaws enforcement	5,589,359	5,031,365	5,162,463
Common and equipment pool	25,737,988	26,131,187	22,855,623
Roads, streets, walks, lighting	31,230,955	42,868,481	38,785,113
Public transport	20,412,668	24,038,594	20,790,171
Storm sewers and drainage	523,525	3,601,100	1,950,490
Water supply and distribution	21,819,353	32,609,306	29,076,965
Wastewater treatment and disposal	20,855,529	28,907,210	27,275,505
Waste management	18,615,673	23,027,289	21,057,691
Family and community support	6,996,967	5,369,083	6,335,293
Day care	15,000	15,060	15,000
Cemeteries and crematoriums	169,754	118,515	112,067
Land use planning, zoning and development	13,244,804	11,630,567	12,709,267
Subdivision land and development	1,985,560	5,238,834	1,898,374
Public housing operations	30,285,219	36,719,711	40,367,077
Land, housing and building rentals	3,192,934	3,403,454	2,893,814
Recreation boards	1,954,386	1,800,987	1,984,947
Parks and recreation	60,035,331	55,244,031	60,679,362
Culture: libraries, museums, halls	6,508,705	5,482,571	2,415,588
Other	2,555,247	6,090,138	3,126,436
	413,370,899	498,548,444	446,823,275
Annual surplus	279,589,663	326,167,260	406,016,500
Accumulated surplus, beginning of year	2,644,969,723	2,644,969,723	2,238,953,223
Accumulated surplus, end of year	\$ 2,924,559,386	\$ 2,971,136,983	\$ 2,644,969,723

See accompanying notes to consolidated financial statements.

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

Year ended December 31, 2012

	Budget	2012	2011
	(Unaudited)		
Annual surplus	\$ 279,589,663	\$ 326,167,260	\$ 406,016,500
Acquisition of tangible capital assets	(727,764,947)	(368,285,742)	(428,773,602)
Contributions of tangible capital assets	-	(40,345,352)	(82,082,914)
Write down on tangible capital assets	-	7,396,000	-
Gain on disposal of tangible capital assets	-	(735,252)	(16,026,552)
Amortization of tangible capital assets	4,766,669	62,981,082	48,390,556
Proceeds on disposal of tangible capital assets	-	45,649,021	22,772,317
	(443,408,615)	32,827,017	(49,703,695)
(Acquisition) use of consumable inventories	-	(2,728,163)	346,941
(Acquisition) use of prepaid expenses	-	(2,735,510)	2,945,495
	-	(5,463,673)	3,292,436
Change in net financial assets	(443,408,615)	27,363,344	(46,411,259)
Net financial assets, beginning of year	93,589,505	93,589,505	140,000,764
Net financial assets, end of year	\$ (349,819,110)	\$ 120,952,849	\$ 93,589,505

See accompanying notes to consolidated financial statements.

REGIONAL MUNICIPALITY OF WOOD BUFFALO
Consolidated Statement of Cash Flows

Year ended December 31, 2012

	2012	2011
Cash provided by (used in):		
Operating:		
Annual surplus	\$ 326,167,260	\$ 406,016,500
Items not involving cash:		
Contributions of tangible capital assets	(40,345,352)	(82,082,914)
Gain on disposal of tangible capital assets	(735,252)	(16,026,552)
Write down of tangible capital assets	7,396,000	-
Amortization of tangible capital assets	62,981,082	48,390,556
Change in non-cash assets and liabilities:		
Restricted cash	(1,821,172)	(18,682,456)
Taxes and grants in lieu receivable	(471,452)	641,438
Trade and other receivables	49,296,130	(24,405,184)
Inventories for resale	8,555,501	4,486,885
Accounts payable and accrued liabilities	(9,849,347)	2,772,024
Deposit liabilities	(43,033)	904,009
Deferred revenue	(26,340,962)	(11,824,218)
Employee benefit obligations	2,676,181	(1,498,511)
Provision for landfill closure and post closure costs	1,327,785	3,533,389
Consumable inventories	(2,728,163)	346,941
Prepaid expenses	(2,735,510)	2,945,495
Cash provided by operating transactions	373,329,696	315,517,402
Capital:		
Proceeds on disposal of tangible capital assets	45,649,021	22,772,317
Acquisition of tangible capital assets	(368,285,742)	(428,763,307)
Cash applied to capital transactions	(322,636,721)	(405,990,990)
Investing:		
Increase in mortgages and notes receivable	(2,388,557)	(4,567,787)
Decrease in investments	29,384,597	75,983,338
Cash provided by investing transactions	26,996,040	71,415,551
Financing:		
Long-term debt issued		24,530,041
Long-term debt repaid	(17,410,063)	(46,476,131)
Cash applied to by financing transactions	(17,410,063)	(21,946,090)
Change in cash during the year	60,278,952	(41,004,127)
Cash, beginning of year	23,631,478	64,635,605
Cash, end of year	\$ 83,910,430	\$ 23,631,478

See accompanying notes to consolidated financial statements.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

Year ended December 31, 2012

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

Year ended December 31, 2012

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 the 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. Revenues from sponsorships are recognized over the terms of the sponsorship agreements. Rental income is recognized as revenue in the relevant tenancy period. Revenues from land and building sales related to inventories held for resale are recognized when title transfers and all of the rights and responsibilities of ownership have transferred, the price to the buyer is determinable and collection is reasonably assured. Amounts received under rights holder agreements have been deferred and are recognized as revenue on a straight line basis over the 25 year life of the agreements.

Returns on investments 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.

(c) Cash and cash equivalents

Cash and cash equivalents consist of bank deposits and short-term investments with original maturities of less than three months of \$25,482,768 (2011 - \$34,960,175)

(d) 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.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

Year ended December 31, 2012

1. Significant accounting policies (continued):

(e) Investments:

Temporary investments are recorded at the lower of cost and market value. Portfolio investments are recorded at amortized cost less other than temporary decline. 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.

(f) Inventories 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.

Inventories held for consumption are recorded at the lower of cost and replacement cost.

(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 building 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) Natural resources

Natural resources that have not been purchased are not recognized as tangible capital assets in these consolidated financial statements.

(iv) 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

Year ended December 31, 2012

1. Significant accounting policies (continued):

(g) Non-financial assets (continued):

(v) 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, including carrying costs such as property taxes, interest on debt specifically related to the properties and other costs.

(vi) 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.

(vii) 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, provision for investment impairment as well as provisions made for allowances for taxes and other receivables and inventories.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

Year ended December 31, 2012

2. Restricted cash:

Restricted cash is comprised of security deposits received from tenants in the amount of \$998,411 (2011 - \$898,679) held in trust accounts that bear interest at the Royal Bank of Canada prime rate less 1.9% (2011 - 1.9%), restricted replacement reserves in the amount of \$2,489,948 (2011 - \$1,830,416), Lodge Funds restricted for purchase and maintenance of Rotary House and other projects in the amount of \$1,246,497 (2011 - \$1,113,644), capital grant funds to support the development of affordable housing units in Parsons Creek in the amount \$746,588 (2011 - \$738,402), rent supplement funds payable to Alberta Housing & Urban Affairs in the amount of \$1,281,063 (2011 - \$360,194), and proceeds from the Province of Alberta related to the Hawthorne Heights project of \$18,206,236 (2011 - \$18,206,236) 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 related to Wood Buffalo Housing and Development Corporation operations, 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:

	2012	2011
Current	\$ 4,656,579	\$ 4,980,224
Arrears**	1,234,598	885,594
	<u>5,891,177</u>	<u>5,865,818</u>
Less allowance for doubtful accounts	95,695	541,788
	<u>\$ 5,795,482</u>	<u>\$ 5,324,030</u>

** levies which were imposed one year or longer prior to year end

4. Trade and other receivables:

	2012	2011
Government transfers	\$ 5,856,109	\$ 32,937,201
GST recoverable	6,195,419	13,761,302
Utility receivables	4,672,012	4,094,980
Developer charges	1,728,974	20,633,010
Trade receivables	42,599,991	38,922,142
	<u>\$ 61,052,505</u>	<u>\$ 110,348,635</u>

The allowance for doubtful accounts for trade and other receivables is \$1,508,253 (2011 - \$1,553,708).

5. Inventories held for resale:

	2012	2011
Inventories held for resale	\$ 400,253	\$ 232,662
Property inventory:		
Taiganova Eco Industrial Park	-	2,627,198
Other properties under development	-	3,659,374
Held under equity and affordability programs	57,733,865	60,170,385
	<u>\$ 58,134,118</u>	<u>\$ 66,689,619</u>

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

Year ended December 31, 2012

6. Investments:

	2012		2011	
	Cost	Market Value	Cost	Market Value
Cash	\$ 3,007,689	\$ 3,007,689	\$ 8,166,039	\$ 8,166,039
Bankers acceptances and notes	43,528,005	43,565,582	90,469,958	90,474,662
Government and government guaranteed bonds	353,654,480	359,606,850	314,057,393	322,791,349
Corporate bonds and debentures	316,356,078	319,860,751	325,177,375	326,390,563
Mutual funds	7,549,264	7,549,264	15,355,446	16,295,352
Accrued interest	2,377,814	2,377,814	2,631,716	2,631,716
	\$ 726,473,330	\$ 735,967,950	\$ 755,857,927	\$ 766,749,681

Bankers acceptances, notes and bonds have maturities of less than one year and stated interest rates from of 2.6% to 5.5% (2011 - Average of 1.7%).

Government and government guaranteed bonds bear interest at stated average interest rates from 1.03% to 6.500% (2011 - 1.399% to 6.500%).

Corporate bonds and debentures bear interest at stated average interest rates from 1.03% to 11.800% (2011 - 1.531% to 11.800%).

The market value of certain investments fluctuates with changing market interest rates. The Municipality has not identified any indication of significant impairment that is other than temporary. As a result no writedowns have been taken in 2012 and 2011.

7. Mortgages and notes receivable:

The mortgages and notes receivable include:

- (a) 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. Loans are assumed to have a 25 year amortization.
- (b) 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. Loans are assumed to have a 25 year amortization.
- (c) 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.
- (d) A vendor take-back mortgage, non-interest bearing until October 2013 and 4% per annum thereafter, due November 1, 2013.
- (e) A net investment in a long-term lease arrangement.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

Year ended December 31, 2012

8. Deferred revenue:

	2012	2011
<u>Government transfers</u>		
Operating:		
Community Housing Plan Grant	\$ 2,104,579	\$ 1,582,908
Rent Supplement Program Grant	1,055,724	472,680
Marshall House Grant	94,488	134,095
Alberta Housing & Urban Affairs	-	123,139
Sustainable Remote Housing Grant	101,880	106,920
Other Grants	-	529,783
RCMP Grant	349,653	256,512
	3,706,324	3,206,037
Capital:		
Community Development Plan (a)	80,169,823	100,640,331
Alberta Municipal Infrastructure Program (b)	1,093,089	8,657,707
Alberta Municipal Sponsorship Grant	-	112,355
Alberta Municipal Sustainability Initiative Grant (c)	32,227,828	17,719,664
Alberta Infrastructure Transportation Grant (d)	1,094,018	6,790,493
New Deal for Cities and Communities Grant (e)	6,410,556	5,830,592
Alberta Affordable Housing Initiative	46,197,275	46,189,089
Provincial Grant South Police Centre & Cell Block (f)	-	9,154,694
Strategic Transportation Infrastructure Grant (g)	4,821,764	4,763,063
	172,014,353	199,857,988
	175,720,677	203,064,025
Other:		
Corporate Donations and Naming Rights	571,428	666,667
Rights Holder Agreements (h)	1,608,000	1,692,800
Deferred Property Sales (i)	53,265,266	57,007,211
Deferred Property Taxes	13,661,002	8,793,349
Lifetime golf and fitness memberships	1,175,539	1,013,248
Other	2,599,047	2,704,621
	72,880,282	71,877,896
	248,600,959	274,941,921

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

Year ended December 31, 2012

8. Deferred revenue (continued):

(a) Community Development Plan

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 \$242,380,000 was provided by the Province. During 2012, the Municipality received a grant allocation of \$35,380,000, recognized \$56,992,342 (2011 - \$67,185,809) as government transfers and allocated interest in the amount of \$1,141,834 (2011 - \$1,647,524).

(b) Alberta Municipal Infrastructure Program

The Province of Alberta introduced the Alberta Municipal Infrastructure Program (AMIP) in 2005 to assist municipalities in addressing capital infrastructure needs. During 2012, the Municipality recognized \$7,629,305 (2011 - \$4,234,420) as government transfers and allocated interest on the unspent grant in the amount of \$64,687 (2011 - \$130,541). This program terminated in 2009.

(c) Alberta Municipal Sustainability Initiative Grant

In 2007, the Province of Alberta introduced the Municipal Sustainability Initiative (MSI) program to assist municipalities with managing growth pressures, provide sustainable funding and support infrastructure needs. In 2012, the Municipality received \$19,779,011 (2011 - \$18,061,319) recognized \$5,465,526 (2011 - \$25,863,786) as government transfers and allocated interest on the unspent grant in the amount of \$194,679 (2011 - \$130,686). Based on a pre-established formula and budget availability, the Municipality will receive an annual grant allocation until 2016.

(d) Alberta Infrastructure Transportation Grant

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 2012, the Municipality received \$4,138,148 (2011 - \$4,101,466), recognized \$9,909,103 (2011 - \$605,470) as government transfers and allocated interest on the unspent grant in the amount of \$74,480 (2011 - \$38,356).

(e) New Deal for Cities and Communities Grant

The New Deal for Cities and Communities 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 2012, the Municipality received \$5,012,918 (2011 - \$5,012,918), recognized \$4,502,741 (2011 - \$4,083,961) as government transfers and allocated interest on the unspent grant in the amount of \$69,787 (2011 - \$28,314). This grant program has been extended to 2013 and the Municipality will receive an additional \$5,012,918 under the terms of this program.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

Year ended December 31, 2012

8. Deferred revenue (continued):

(f) Provincial Grant South Police Centre & Cell Block

The Municipality entered into an agreement with the Province of Alberta 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 in 2012 recognized \$9,220,688 (2011 - \$915,132) as government transfers. The Municipality allocated interest in the amount of \$65,994 (2011 - \$69,826).

(g) Statagic Transportation Infrastructure Grant

The Municipality entered into an agreement with the Province of Alberta to undertake the maintenance and construction of the Fort MacKay Bridge Replacement project. The Municipality received \$2,000,000 in 2012 (2011 - \$5,645,000). The Municipality recognized \$1,988,455 in 2012 (2011 - \$925,394) as government transfers and allocated interest in the amount of \$47,156 (2011 - \$43,457).

(h) Rights Holder Agreements

In exchange for contributions received totaling \$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 and buildings to the rights holders and regular monthly rental payments are required under any unit rented.

(i) Deferred Property Sales

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 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 the sale, is the original 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 \$3,920,772 (2011 - \$6,305,709) in revenue relating to the sales of certain properties and \$178,827 (2011 - \$41,187,090) in net sales deferred. As the ultimate selling price of these properties is uncertain and substantially all of the rights and responsibilities of the 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 the property inventory is 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

Year ended December 31, 2012

9. Employee benefit obligations:

	2012	2011
Accrued vacation pay and overtime bank	\$ 6,824,045	\$ 7,335,522
Accrued salary and benefits	9,737,968	6,550,310
	<u>\$ 16,562,013</u>	<u>\$ 13,885,832</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 or are entitled to those benefits within the next budgetary year.

(b) Local Authorities Pension Plan

Employees of the Municipality participate in the Local Authorities Pension Plan (LAPP), which is covered by the Alberta Public Sector Pension Plans Act.

The Municipality is required to make current service contributions to LAPP of 9.91% (2011 - 9.49%) of pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings and 13.74% (2011 - 13.1%) for the excess. Employees of the Municipality are required to make current service contributions of 8.91% (2011 - 8.49%) of pensionable salary up to the year's maximum pensionable salary and 12.74% (2011 - 12.13%) 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 \$12,169,407 (2011 - \$9,667,169). Total current service contributions by the employees of the Municipality to LAPP in 2012 were \$11,131,530 (2011 - \$10,618,137).

The LAPP reported a deficiency for the overall plan as at December 31, 2011 of \$ 4,639,390,000 (2010 - \$4,635,250,000). Information as at December 31, 2012 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 Municipalities 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 on pensionable earnings up to \$132,333 per employee per year.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

Year ended December 31, 2012

9. Employee benefit obligations (continued):

(c) APEX supplementary pension plan (continued)

Total current service contributions by the Municipality to APEX in 2012 were \$413,366 (2011 - \$325,550).
Total current service contributions by the employees of the Municipality were \$340,803 (2011 - \$272,660).

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.

(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.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

Year ended December 31, 2012

9. Employee benefit obligations (continued):

(f) Employee housing initiative - home equity protection program (continued)

At December 31, 2012, no amounts have been accrued (2011 - \$nil) within the 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.

At December 31, 2012, 202 employees were approved for participation under the program with an aggregate secured property value of \$113,318,674 based on assessed values. Of the participating employees, 171 currently meet the eligibility requirements with a secured property value of \$93,286,073 based on assessed values.

(g) MuniSERP - supplemental retirement program

MuniSERP is an accrued benefit obligation for certain groups of employees; future benefit plan commenced in 2012. An actuarial valuation for this plan was completed by Aon Consulting Inc. as of December 31, 2012.

MuniSERP is a supplementary retirement program that cannot be prefunded.

This is a Municipal contributed plan for a certain group of employees. MuniSERP is managed through Alberta Municipal Services Corporation (AMSC).

This program provides benefits in excess of those allowed under the registered pension plans - LAPP and APEX Supplementary Pension Plans. This program is not a registered pension plan and thus is not subject to pension regulation.

The accrued liability balance as at December 31, 2012 based on actuarial valuation was \$410,186 (2011 - N/A).

The actuarial valuation is based on assumptions about future events. The economic assumptions used in these valuations are the best estimates of expected rates of:

	December 31, 2012
Inflation	2.50 % p.a.
Wages and salaries escalations	4.00 % p.a.
Interest (discount rate on accrued benefit obligations)	5.00 % p.a.
Average Municipal service	2.00 years

Year ended December 31, 2012

10. Landfill closure and post-closure obligation:

The obligation recorded at December 31, 2012 for the landfill closure was \$13,518,275 (2011 - \$12,190,490) and represents the present value of closure and post-closure costs of the Municipality Landfill sites, using assumed annual rates of 1.30% (2011 – 2.2%) for inflation and discount rates of 3.063% for post closure and 2.370% for pre closure (2011 – 3.193% for both).

The closing of existing facilities involve 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 2012 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 and 2012 to remediate the damages.

The Fort McMurray site completed operations in early 2011 and closure activities will be completed in 2013. Increases in obligation costs are expected as part of the two phase landfill closure that has been approved by Alberta Environment to support the landfill gas management system construction capital project.

The Fort Chipewyan and the Fort McMurray Regional landfill are currently the only open landfill sites within the Regional Municipality of Wood Buffalo. The old Fort Chipewyan site was 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 began operations in June 2012.

The Fort McMurray Regional Landfill site came in to operation during early 2011 and has existing capacity of 66% with an estimated life of 80 years.

Capacity utilization

		Total Cell	Cell Used	% Used
1	Fort McMurray - regional landfill	8	2.7	34%
2	Fort Chipewyan - new site	2	0.2	10%

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

Year ended December 31, 2012

11. Long-term debt:

	2012	2011
Municipal debt:		
Capital leases supported by general tax levies (a)	\$ 25,357	\$ 33,363
Debentures supported by general tax levies (b)	204,695,808	213,326,426
Debentures supported by utility rates (b)	142,629,319	148,935,748
	<u>347,350,484</u>	<u>362,295,537</u>
Controlled organizations debt:		
Capital leases	3,803	141,697
Demand loans - capital (c)	-	17,236
Long-term debt (d)	91,567,995	93,877,875
	<u>91,571,798</u>	<u>94,036,808</u>
	<u>\$ 438,922,282</u>	<u>\$ 456,332,345</u>

Municipal debt

(a) Capital leases supported by general tax levies

The Municipality has entered into capital lease agreements for vehicles. The payments on principal and interest in the remainder of the lease are as follows:

	Principal	Interest	Total
2013	\$ 8,407	\$ 1,055	\$ 9,462
2014	8,828	634	9,462
2015	8,122	191	8,313
	<u>\$ 25,357</u>	<u>\$ 1,880</u>	<u>\$ 27,237</u>

Interest on capital leases above in 2012 amounted to \$1,458 (2011- \$9,903).

(b) Debentures supported by general tax levies and utility rates

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

	Principal	Interest	Total
2013	\$ 15,094,931	16,333,526	31,428,457
2014	15,225,088	15,583,270	30,808,358
2015	15,764,292	14,827,919	30,592,211
2016	15,702,338	14,054,973	29,757,311
2017	16,115,009	13,267,030	29,382,039
Thereafter	269,423,469	103,738,120	373,161,589
	<u>\$ 347,325,127</u>	<u>\$ 177,804,838</u>	<u>\$ 525,129,965</u>

Interest on long-term debt in 2012 amounted to \$16,934,816 (2011 - \$17,683,453).

Debenture debt above is repayable to Alberta Capital Finance Authority has interest rates ranging from 2.4% to 11.0% per annum, and matures in years 2013 through 2035.

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

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

Year ended December 31, 2012

11. Long-term debt (continued):Controlled organizations debt

(c) Demand loans - capital

The demand loan repaid in 2012 was a revolving demand loan at a fixed rate of 5.06%.

(d) Long-term debt

Long term debt is comprised of two commercial mortgages with interest rates ranging from 3.435% to 5.074%, payments of \$64,971 and \$466,752 per month including principal and interest, maturities from March 2013 to March 2022, with land and buildings pledged as collateral with a carrying value of \$182,319,495 (2011 - \$167,059,604).

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

	Principal	Interest	Total
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
2017	2,877,204	2,963,520	5,840,724
Thereafter	78,367,198	56,231,879	134,599,077
	<u>\$ 91,567,995</u>	<u>\$ 74,196,515</u>	<u>\$ 165,764,510</u>

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.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

Year ended December 31, 2012

12. 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

	2012	2011
Maximum allowable debt	\$ 1,282,438,604	\$ 1,220,870,356
Total municipal debt	347,350,484	362,295,537
Amount of total debt limit available	<u>\$ 935,088,120</u>	<u>\$ 858,574,819</u>
Percentage used	27.09%	29.68%

Debt service limit

Maximum allowable debt service	\$ 224,426,756	\$ 213,652,312
Annual payments on existing municipal debt	31,437,919	32,010,267
Amount of service on debt limit available	<u>\$ 192,988,837</u>	<u>\$ 181,642,045</u>
Percentage used	14.01%	14.98%

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 and MacDonald Island Park Corporation.

The Municipality's Debt Management Policy (amended November 27, 2012) has an established debt and debt service limit of 85% of the Municipal Government Act and regulation limits.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

Year ended December 31, 2012

13. Tangible capital assets:

	2012							
	Land	Land Improvements	Buildings and Improvements	Engineered Structures	Machinery and Equipment	Vehicles	Construction in Progress	2012 Total
COST:								
<i>Balance, Beginning 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
Acquisition of tangible capital assets	49,789,440	42,671,486	53,892,686	559,054,521	8,558,988	21,425,270	(326,761,297)	408,631,094
Reclassification / Adjustment	-	8,382,982	(12,542,908)	-	4,159,926	-	-	-
Write down	-	-	-	-	-	-	(7,396,000)	(7,396,000)
Disposal of tangible capital assets	(13,510,950)	-	(85,925)	-	(210,700)	(2,177,788)	(31,039,673)	(47,025,036)
<i>Balance, End of Year</i>	\$ 339,517,786	\$ 101,336,804	\$ 533,130,487	\$ 1,920,080,139	\$ 64,713,986	\$ 78,763,297	\$ 326,986,820	\$ 3,364,529,319
ACCUMULATED AMORTIZATION:								
<i>Balance, Beginning of Year</i>	\$ -	\$ 13,279,212	\$ 44,615,549	\$ 358,521,490	\$ 21,070,423	\$ 24,377,039	\$ -	\$ 461,863,713
Annual amortization	-	3,791,104	12,840,757	32,362,457	6,562,685	7,424,079	-	62,981,082
Accumulated amortization on disposals	-	-	(56,710)	-	(130,880)	(1,923,677)	-	(2,111,267)
<i>Balance, End of Year</i>	\$ -	\$ 17,070,316	\$ 57,399,596	\$ 390,883,947	\$ 27,502,228	\$ 29,877,441	\$ -	\$ 522,733,528
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS, End of Year	\$ 339,517,786	\$ 84,266,488	\$ 475,730,891	\$ 1,529,196,192	\$ 37,211,758	\$ 48,885,856	\$ 326,986,820	\$ 2,841,795,791

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

Year ended December 31, 2012

13. Tangible capital assets (continued):

	2011								
	Land	Land Improvements	Buildings and Improvements	Engineered Structures	Machinery and Equipment	Vehicles	Construction in Progress	2011 Total	
COST:									
<i>Balance, Beginning 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	
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

Year ended December 31, 2012

13. Tangible capital assets (continued):

(a) Assets under construction

Assets under construction having a value of \$326,986,820 (2011 - \$692,183,790) 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 value at the date of contribution. The value of contributed assets received during the year is \$40,345,352 (2011 - \$82,082,914).

(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, a fire damaged an apartment building that was part of the Edgewater Court project. The building had a net book value of \$8,392,186 on April 17, 2007 and amortization of the building ceased on that date. Effective August 2012 construction was completed, the building was put back into service, and amortization recommenced.

(f) Reclassification / Adjustment

During the year the Municipality reclassified the land improvements and equipment related to the MacDonald Island Park facility to better represent the classification of the components of the facility.

(g) Write down

During the year the Municipality wrote down \$7,396,000 related to assets previously capitalized as it was determined that the assets were impaired.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

Year ended December 31, 2012

14. Accumulated surplus:

	2012	2011
Operations:		
Surplus - undesignated	\$ 124,538	\$ 124,538
Operating reserves:		
General administration	101,330,789	87,252,515
Common services	142,575	145,003
Roads and streets	-	57,231
Municipal planning	-	33,526
Land and housing	-	547
Recreation	365,934	368,554
Urban parks	294,775	289,777
Regional Municipality of Wood Buffalo Library	3,055,330	3,340,718
Wood Buffalo Housing & Development Corporation	55,044,036	54,225,966
MacDonald Island Park Corporation	(681,150)	(465,362)
	159,552,289	145,248,475
Total operations	159,676,827	145,373,013
Capital:		
Deficiency - undesignated	(149,259,717)	(104,242,148)
Capital reserves:		
General	539,627,152	493,456,348
Equipment	706,327	706,327
Firefighting and preventive services	-	154,651
Common services	708,599	774,064
Roads and streets	32,059	162,918
Water supply	2,052,107	2,045,026
Sewage	2,317,650	2,324,731
Recreation	6,907,212	7,606,715
Wood Buffalo Housing & Development Corporation	4,010,045	3,217,660
MacDonald Island Park Corporation	1,485,213	1,267,216
	557,846,364	511,715,655
Invested in tangible capital assets	2,402,873,509	2,092,123,203
Total capital	2,811,460,156	2,499,596,710
Accumulated surplus	\$ 2,971,136,983	\$ 2,644,969,723

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

Year ended December 31, 2012

15. Contractual obligations 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:

2013	\$4,010,865
2014	3,956,513
2015	3,903,310
2016	3,830,929
2017	3,242,548
Thereafter	9,712,516
	<u>\$28,656,681</u>

(b) Capital commitments

The 2013 Capital Budget was approved by Council on December 11, 2012 in the amount of \$629,132,702. The approved projects along with a number of capital projects in progress are expected to be completed in 2013.

(c) Borrowing facilities (line of credit)

Two of the Municipality's controlled entities entered into banking agreements that include a revolving demand credit facility available in the amount of \$250,000 and \$9,000,000 which bear interest at prime and prime plus 3% respectively. At December 31, 2012, no amounts were drawn against these facilities. In addition, one of the Municipality's controlled entities has access to a \$60,000 Visa business facility which is drawn upon from time to time with their accounts receivable pledged as security on this facility.

(d) Development agreements

Developers have entered into agreements with the Municipality in the amount of approximately \$61,000,000 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 \$ 2,480,117 (2011 - \$5,916,411) and letters of credit in the amount of \$40,197,413 to ensure performance by the developers under the agreements.

(e) Contingent liabilities

The Municipality is defendant in various lawsuits as at December 31, 2012. 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. Any losses arising from these actions will be recorded in the year in which the related litigation is settled.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

Year ended December 31, 2012

16. 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	Benefits and Allowances	Total	Total
	(a)	(b,c)	2012	2011
Mayor Blake (d)	\$ 123,638	\$ 18,519	\$ 142,157	\$ 143,673
Ward 1				
Councillor Germain	36,411	12,041	48,452	46,914
Councillor Kirschner	36,411	13,588	49,999	49,500
Councillor Meagher	36,411	13,908	50,319	48,849
Councillor Thomas	36,411	13,612	50,023	49,535
Councillor Burton	16,204	5,011	21,215	-
Councillor Tatum	16,204	5,021	21,225	-
Ward 2				
Councillor Blair	36,411	13,612	50,023	46,863
Councillor Flett	36,411	7,782	44,193	44,817
Ward 3				
Councillor Vinni	36,411	13,050	49,461	48,858
Ward 4				
Councillor Stroud	36,411	12,060	48,471	47,206
Former				
Councillor Allen	10,887	9,553	20,440	45,939
Councillor Scott	10,887	6,549	17,436	49,500
Councillor Janvier				3,848
Chief Administrative Officers (d)	347,888	116,840	464,728	528,865
Designated Officer				
Current	162,299	30,398	192,697	-
Former	180,204	65,669	245,873	263,509
	\$ 1,159,499	\$ 357,213	\$ 1,516,712	\$ 1,417,876

(a) Salary is only gross wages paid.

(b) 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.

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

(d) 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

Year ended December 31, 2012

17. 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.

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

- (a) **Fiscal Services** provides financial and purchasing services for the Municipality.
- (b) **General Government** consists of corporate administration and general municipal services for the Municipality.
- (c) **Protective Service** is comprised of police, traffic safety, bylaw enforcement, fire rescue and ambulance services.
- (d) **Transportation** includes bus, roadway and parking services.
- (e) **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.
- (f) **Public Health and Welfare** provides family and community support services along with cemeteries.
- (g) **Planning and Development** is comprised of the Community Development Planning branch, the Comprehensive Planning branch and the Implementation branch.
- (h) **Recreation and Culture** develops initiatives to provide opportunities and support in the areas of arts heritage and culture, and in recreation, sport and leisure.
- (i) **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

Year ended December 31, 2012

17. Segment disclosures (continued):

	2012									
	Fiscal Services	General Government	Protective Service	Transportation	Environmental use and Protection	Public Health and Welfare	Planning and Development	Recreation and Culture	Subsidiary Entities	2012 Total
Revenue:										
Net taxes available for municipal purposes	495,624,301	-	-	168,499	241,356	-	-	-	2,945,776	498,979,932
Government transfers	-	96,520,763	8,455,998	353,323	3,140	1,531,894	32,206	49,498	265,006	107,211,828
Sales and user charges	2,490	549,960	2,562,606	4,154,914	48,886,796	26,743	187,125	311,442	30,028,496	86,710,572
Sales to other governments	-	-	234,928	-	5,106,402	-	-	-	-	5,341,330
Penalties and costs on taxes	1,589,638	456,408	-	-	164,639	-	-	-	(625)	2,210,060
Licenses and permits	-	761,434	45,972	7,525	-	-	10,893,405	285	(576,260)	11,132,361
Fines	-	164,440	5,303,724	-	-	-	-	-	64,154	5,532,318
Franchise and concession contracts	4,576,685	-	-	-	-	-	-	-	-	4,576,685
Returns on investments	-	19,749,648	-	-	-	446	951	10,322	1,422,322	21,183,689
Rentals	-	26,380	-	10,680	-	-	337,945	16,448	24,071,307	24,462,760
Developers' agreements and levies	-	10,421,881	-	3,953	-	-	-	-	-	10,425,834
Other	-	1,949,331	94,929	1,551	150,400	360,932	10,000	255,682	3,044,906	5,867,731
Gain (loss) on disposal of tangible capital assets	-	763,285	-	-	-	-	-	-	(28,033)	735,252
Contributions of tangible capital assets	-	1,897,875	-	16,965,106	21,482,371	-	-	-	-	40,345,352
	501,793,114	133,261,405	16,698,157	21,665,551	76,035,104	1,920,015	11,461,632	643,677	61,237,049	824,715,704
Expenses:										
Salaries, wages and benefits	-	48,489,359	41,247,814	22,433,956	26,160,996	4,055,196	8,178,233	14,960,146	23,739,656	189,265,356
Contracted and general services	3,776	42,877,756	6,108,086	43,303,532	20,927,547	300,761	10,339,402	5,276,998	8,591,728	137,729,586
Purchases from other governments	-	32,796	22,239,550	649,062	-	-	765	-	-	22,922,173
Materials, goods, supplies and utilities	-	3,405,375	2,873,289	8,664,360	13,773,269	186,252	144,423	2,683,166	17,596,467	49,326,601
Provision (recovery) for allowances	83,783	(878,949)	245,682	-	17,091	-	-	-	14,298	(518,095)
Transfers to other governments	-	-	44,001	-	-	-	-	-	-	44,001
Transfers to local boards and agencies	-	-	-	-	-	-	-	3,665,000	-	3,665,000
Transfers to individuals and organizations	-	14,746,846	20,000	12,000	-	2,655,254	250,000	13,731,399	(21,512,542)	9,902,957
Bank charges and short-term interest	-	328,955	1,398	105	9,944	50	75,362	854	154,009	570,677
Interest on long-term debt	-	541,052	843,131	663,482	7,641,892	11,237	1,059,152	6,176,326	4,358,871	21,295,143
Other	153,618	1,214,215	1,718,227	25,575	(42,080)	(1,711,568)	(3,049)	9,025	-	1,363,963
Amortization of tangible capital assets	-	1,814,223	2,595,037	14,382,344	19,365,113	5,476	228,745	8,493,211	16,096,933	62,981,082
	241,177	112,571,628	77,936,215	90,134,416	87,853,772	5,502,658	20,273,033	54,996,125	49,039,420	498,548,444
Annual surplus	501,551,937	20,689,777	(61,238,058)	(68,468,865)	(11,818,668)	(3,582,643)	(8,811,401)	(54,352,448)	12,197,629	326,167,260

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

Year ended December 31, 2012

17. Segment disclosures (continued):

	2011									
	Fiscal Services	General Government	Protective Service	Transportation	Environmental use and Protection	Public Health and Welfare	Planning and Development	Recreation and Culture	Susidiary Entities	2011 Total
Revenue:										
Net taxes available for municipal purposes	477,654,215	-	-	174,712	159,282	-	-	-	2,039,490	480,027,699
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
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
Sales to other governments	-	-	205,597	-	1,871,696	-	-	-	-	2,077,293
Penalties and costs on taxes	1,228,812	192,076	-	-	156,092	-	-	-	-	1,576,980
Licenses and permits	-	746,444	45,940	4,915	-	-	9,785,757	285	-	10,583,341
Fines	-	144,565	3,228,017	-	-	-	-	-	63,053	3,435,635
Franchise and concession contracts	4,625,246	(26,691)	-	-	-	-	-	-	-	4,598,555
Returns on investments	-	22,134,011	-	-	-	442	-	9,367	974,767	23,118,587
Rentals	-	42,793	(45)	28,328	-	-	261,029	17,386	20,982,627	21,332,118
Developers' agreements and levies	-	1,723	-	16,826	-	-	-	-	-	18,549
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
Gain (loss) on disposal of tangible capital assets	-	16,239,686	-	-	-	-	-	-	(213,134)	16,026,552
Contributions of tangible capital assets	-	-	-	10,333,890	2,245,195	-	53,503,829	-	16,000,000	82,082,914
	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
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
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
Purchases from other governments	-	18,393	19,678,732	480,434	-	-	166	-	-	20,177,725
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
Provision (recovery) for allowances	585,578	36,591	201,885	-	(73,511)	-	-	890	14,645	766,078
Transfers to other governments	-	-	46,367	-	-	-	-	-	-	46,367
Transfers to local boards and agencies	-	-	-	-	-	-	-	5,458,268	(4,893,268)	565,000
Transfers to individuals and organizations	-	1,434,081	20,000	-	-	2,034,191	250,000	14,641,002	(10,656,172)	7,723,102
Bank charges and short-term interest	-	255,079	970	398	6,216	390	40,000	38	191,108	494,199
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
Other	779	59,574	668,677	(368,773)	(2,173)	82,926	3,506	(178,405)	-	266,111
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
	620,693	85,800,598	69,199,640	84,381,398	77,410,161	6,462,360	17,503,301	57,069,718	48,375,406	446,823,275
Annual surplus	482,898,023	63,881,552	(54,735,518)	(70,500,930)	(27,903,178)	(4,602,967)	48,273,700	(56,268,992)	24,974,810	406,016,500

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

Year ended December 31, 2012

18. Budget data:

The unaudited budget data presented in these consolidated financial statements is based upon the 2012 operating and capital budgets approved by Council and its subsidiaries.

Amortization was 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	\$ 605,162,627
Capital budget	727,764,947
Subsidiaries' budget	55,185,102
Less:	
Transfers from other funds	376,546,756
Proceeds from issuance of long-term debt	318,605,358
Total revenue	692,960,562
Expenses:	
Operating budget	605,162,627
Capital budget	727,764,947
Subsidiaries' budget	52,226,240
Less:	
Transfers to other funds	229,073,236
Capital expenditures	727,764,947
Long-term debt principal payments	14,944,732
Total expenses	413,370,899
Annual surplus	\$ 279,589,663

19. Financial instruments:

The Municipality's financial instruments consist of cash and cash equivalents, restricted cash, taxes and grants in lieu receivable, trade and other receivables, investments, accounts payable and accrued liabilities, deposit liabilities, 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, trade and other receivables and mortgages and notes receivable. 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

Year ended December 31, 2012

20. Comparative figures

Certain comparative figures were reclassified to conform to current year presentation as follows:

- (a) Note 6: Investments - The 2011 financial statements presented the mortgages and notes receivable figures as part of the investments balance. These amounts and the notes relating to these amounts have been reclassified to mortgages and notes receivable (note 7) for the 2012 financial statements.
- (b) Note 8: Deferred Revenue - The 2011 financial statements presented the deferred property tax figures as part of the accounts payable balance. These amounts have been reclassified to deferred revenues for the 2012 financial statements.

21. Approval of financial statements:

These financial statements were approved by Management and presented to Mayor and Council on April 23, 2013.

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

Schedule 1

Year ended December 31, 2012

	Budget	2012	2011
	(Unaudited - note 18)		
Taxation:			
Real property taxes	\$ 502,272,291	\$ 538,229,439	\$ 514,932,735
Government grants in lieu of property taxes	1,104,649	1,546,921	1,184,234
Special assessments and local improvement taxes	177,000	409,854	333,994
Well drilling	500,000	769,327	1,054,959
	504,053,940	540,955,541	517,505,922
Less Requisitions:			
Alberta School Foundation Fund	-	40,925,847	36,540,935
School boards	-	1,049,762	937,288
	-	41,975,609	37,478,223
Net taxes available for municipal purposes	\$ 504,053,940	\$ 498,979,932	\$ 480,027,699

REGIONAL MUNICIPALITY OF WOOD BUFFALO
Consolidated Government Transfers

Schedule 2

Year ended December 31, 2012

	Budget	2012	2011
	(Unaudited - note 18)		
Federal transfers:			
Conditional shared cost agreements and grants			
- Operating	\$ 705,797	\$ 792,749	\$ 843,838
- Capital	-	-	399,368
Total federal government transfers	705,797	792,749	1,243,206
Provincial transfers:			
Conditional shared cost agreements and grants			
- Operating	12,297,725	23,661,624	15,189,413
- Capital	33,692,796	82,757,455	102,636,121
Total provincial government transfers	45,990,521	106,419,079	117,825,534
Total government transfers	\$ 46,696,318	\$ 107,211,828	\$ 119,068,740

REGIONAL MUNICIPALITY OF WOOD BUFFALO
Consolidated Sales and User Charges

Schedule 3

Year ended December 31, 2012

	Budget	2012	2011
	(Unaudited - note 18)		
Council and other legislative	\$ 15,000	\$ 37,495	\$ 36,307
General administration	342,299	324,399	353,167
Other general government	10,000	190,556	9,493
Police	964,000	1,122,386	1,149,225
Fire	114,425	133,540	82,192
Ambulance and first aid	1,200,411	1,304,314	1,208,766
Bylaw enforcement	-	2,366	-
Common and equipment pool	131,086	69,724	96,120
Roads, streets, walks, lighting	1,237,400	2,275,106	1,497,014
Public transport	1,447,600	1,810,083	1,537,321
Water supply and distribution	18,253,198	21,380,783	19,069,942
Wastewater treatment and disposal	17,555,044	16,237,155	15,791,126
Waste management	8,554,724	11,268,858	9,391,259
Family and community support (recovery)	-	(2,850)	11,504
Cemeteries and crematoriums	21,800	29,593	29,360
Land use planning, zoning and development	255,500	165,980	490,226
Public housing operations	20,188,191	18,500,609	19,512,494
Land, housing and building rentals	-	21,146	-
Recreation boards	27,000	6,086	10,412
Parks and recreation	12,023,074	11,833,243	11,142,004
Total sales and user charges	\$ 82,340,752	\$ 86,710,572	\$ 81,417,932

REGIONAL MUNICIPALITY OF WOOD BUFFALO
Consolidated Expenses by Object

Schedule 4

Year ended December 31, 2012

	Budget	2012	2011
	(Unaudited - note 18)		
Salaries, wages and benefits	182,841,009	189,265,356	182,680,519
Contracted and general services	123,772,402	137,729,586	114,664,980
Purchases from other governments	19,347,496	22,922,173	20,177,725
Materials, goods, supplies and utilities	40,238,110	49,326,601	49,608,968
Provision for allowances	289,116	(518,095)	766,078
Transfers to other governments	46,036	44,001	46,367
Transfers to local boards and agencies	665,000	3,665,000	565,000
Transfers to individuals and organizations	19,485,172	9,902,957	7,723,102
Bank charges and short-term interest	500,177	570,677	494,199
Interest on long-term debt	21,406,617	21,295,143	21,439,670
Other	13,095	1,363,963	266,111
Amortization of tangible capital assets	4,766,669	62,981,082	48,390,556
Total expenses	413,370,899	498,548,444	446,823,275

Subject: 2013 – 2015 Fiscal Management Strategy**APPROVALS:**

Kola Oladimeji, Director
Elsie Hutton, Executive Director
Glen Laubenstein, Chief Administrative Officer

Administrative Recommendation:

THAT the 2013 – 2015 Fiscal Management Strategy, dated April 23, 2013, be adopted as a guide for budget development to replace the 2012 – 2015 Fiscal Management Strategy.

Summary:

The 2013–2015 Fiscal Management Strategy will continue to build on the Municipality's principles of predictability, stability and transparency in managing its financial resources and communicating with residents. The Strategy will guide property tax rates and assist in the development of Capital and Operating Budgets.

The 2013–2015 Fiscal Management Strategy will achieve the following:

- Continue with the property tax 'revenue neutral' plus construction growth philosophy in setting 2013 property tax rates;
- Assume property tax 'revenue neutral' plus construction growth philosophy for all property classes in preparing 2014 – 2015 budgets and plans;
- Continue to maintain a minimum uncommitted balance of \$50M maximum balance in the Emerging Issues Reserve;
- Continue to maintain a minimum uncommitted balance in the Capital Infrastructure Reserve of \$50M;
- Maintain debt and debt service limits at 85% of *Municipal Government Act* limits per the Debt Management Policy.
- Review and phase in capital project delivery to match available funding sources;
- Continue to review the impact of the Municipal Corporate Utility to preserve existing debt capacity.

Background:

Administration has reviewed the impact of the approved 2013 – 2018 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 as well as a review of the Municipality's Property Tax Revenue Risk Index. Two property tax scenarios were projected based on low and high risks and timing of projected assessment growth differentiated the two scenarios. Both scenarios incorporated a revenue neutral plus construction growth approach.

Based on the results of the strategy, the Municipality would be in a position to meet debt management and fiscal reserve policy objectives by:

- Reviewing and phasing in capital project delivery in order to fund projects within existing funding available.
- Conducting a review of capital projects required within the capital plan to address the priority of the \$590M in unfunded capital projects identified during 2013 capital budget development.
- Continuing to review the impact of the Municipal Corporate Utility to preserve existing debt capacity.

Budget/Financial Implications:

The budget assumptions identified will provide the initial basis for 2014 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 proposed Recreation Corporation are still being determined and may require an adjustment of the 2013 – 2015 Fiscal Management Strategy once the financial impact is available.

Rationale for Recommendation:

The 2013 - 2015 Fiscal Management Strategy will provide a sustainable financial process to meet the short and mid-term needs of the Municipality. It will align with the Municipal Development Plan and 2012 - 2016 Strategic Plan while reducing the likelihood of increases in property tax rates and user fees. It is felt that an extended phasing for capital initiatives be considered, wherever possible, as a solution to the current funding constraints.

Administration supports the 2013 - 2015 Fiscal Management Strategy and recommends Council approval.

Attachment:

1. 2013 - 2015 Fiscal Management Strategy – April 23, 2013

“Expanding Financing and Funding Options”

Regional Municipality of Wood Buffalo Fiscal Management Strategy 2013 - 2015

Prepared by: Financial Planning Branch
RMWB Financial Services Division
Dated: April 23, 2013

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EXECUTIVE SUMMARY

As part of long term planning, the Fiscal Management Strategy (FMS) is updated annually.

The purpose of the FMS is to provide a high-level financial overview of the Municipality's operating and capital needs and provide context for setting property tax rates, user fees and other Municipal service charges.

The FMS 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 as approved in the 2013-2015 operating plan and the 2013 - 2018 capital budget and plan;
- **PROPERTY TAX REVENUE NEUTRAL Plus CONSTRUCTION Growth 'HIGH RISK'** – *optimistic* outlook on projected property assessment growth, supporting operating costs as approved in the 2013-2015 operating plan and the 2013 - 2018 capital budget and plan.

What Does Tax Revenue Neutral Mean?

The property taxes remaining at 'neutral' levels simply means that the Municipality will collect the same tax revenue for the year 2013 tax year as it did in the year 2012 on properties which existed in 2012. In context to the recommended Property Tax Rate Bylaw, residential, other residential and non-residential properties are recommended to remain tax revenue neutral.

In summary, the 2013-2015 FMS forecast are as follows:

- Using the 'revenue neutral' plus new growth assumption model, the municipality will be able to meet its recurring operating expenditures.
- In both Low Risk and High Risk scenarios, the Municipality will be able to maintain its \$50M minimum requirement for the Emerging Issues Reserve (EIR) and the Capital Infrastructure Reserve (CIR).
- \$590M unfunded capital projects as at 2015 remain unfunded due to debt ceiling, reserves and grants capacity limitations. In order to be able to fund the unfunded projects and also deliver capital projects of approximately \$2.2billion approved in the plan, while maintaining revenue neutral taxes, re-prioritization of capital projects within available financial resources is required.
- Extend City Centre Area Redevelopment Projects (CCARP) timing horizons - Given the Municipality's current financial and organizational capacity, the timeline for CCARP should be reevaluated and extended over a longer period from 5-10 to 10-20 years. The recommendation to extend the time horizon is based on an independent review conducted to inform the strategy. Phase II of the review will delve deeper into the property tax revenue assumptions focused on the CCARP.

- Debt and debt service levels will be within Council's approved limit of 85% of *Municipal Government Act* (MGA) limits.
- Retain investment strategies being adopted by the Municipality in compliance with Investment Policy FIN - 140.
- Transition to the Municipal Corporate Utility (MCU) will need to be monitored and phased in, if necessary, to preserve existing debt capacity.
- Funding requirements for the new Recreation Corporation has not been quantified therefore the impact has not been reflected in the FMS.
- Explore Alternative Capital Financing strategies - in order to meet capital and operating requirements, partnership with private and public corporation should be entertained on an ongoing basis. Due to the varied arrangements, the potential impacts have not been quantified nor reflected in the FMS.

ASSUMPTIONS AND ANALYSIS LIMITATION

In order to prepare accurate capital and operating budgets and other financial plans for Council's review, consistent assumptions are established to ensure comparability. The following assumptions and constraints were followed in constructing the report:

- Property tax 'revenue neutral plus construction growth' is assumed with low risk / high risk scenarios;
- Low risk scenario assumed for property tax revenue;
- Debt and Debt Service limits are 85% of the MGA limit as approved by Council;
- Undrawn debt of \$350 million of total undrawn debt of \$704 million will be drawn at the beginning of 2014 and thereafter all debt is drawn three years after commitment or approval, depending on the rate of construction;
- The increase in Debt Service as a result of drawdown will also take place in 2014;
- Interest rate of 3.5% is assumed for future debt amortization; and
- No increases to current user fees pending completion of ongoing comprehensive user fees study, which will be brought to the Council for approval at a later date.
- Franchise fee and dividends from MCUs are part of the revenue in 2014 and 2015 Financial plan. All expenditures and revenues generated from MCUs are excluded from the financial plan.

The analysis is restricted and guided by the following:

- *Municipal Government Act* RSA 2000 cM-26
- Municipal Development Plan 2011 – 2030
- 2012 - 2016 Strategic Plan
- Fiscal Responsibility Policy FIN-160
- Investment Policy FIN-140
- Approved 2013 operating and capital budgets
- 2014 - 2015 adjusted operating plan
- 2014 – 2018 Capital Plan
- Debt Management Policy FIN-120

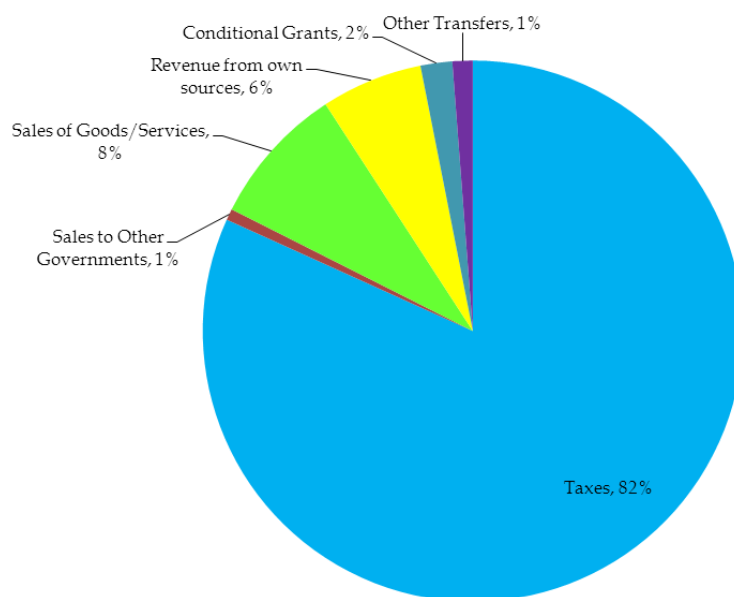
REVENUE SUMMARIES

The Municipality has six major revenue categories: taxes, sales to other governments, sales of goods/services, other revenue from own sources, sales of fixed assets, conditional grants and other transfers. The amended operating budget revenue for 2013 is \$676,535,568, which represents a 12.2% increase from the 2012 approved budget and a \$16,872,861 increase from the 2013 Operating Budget approved by Council on December 11th, 2012.

Local Improvement Plan (LIP) levies budgeted as part of Taxes includes \$369,700 each year for 2013, 2014 and 2015. The amended budget for 2013 includes \$16,872,861 increase in tax revenue based on the 2013 assessment growth.

2013 – Amended Operating Budget Revenue Composition - \$676,535,568

	2013 - Original Budget	2013 - Amended Budget	Additional Revenue
Taxes (includes grants in-lieu)	536,206,688	553,079,549	16,872,861
Sales to Other Governments	4,561,999	4,561,999	-
Sales of Goods/Services	56,766,775	56,766,775	-
Other Revenue From Own Sources	41,050,626	41,050,626	-
Conditional Grants	12,826,319	12,826,319	-
Other Transfers	8,250,300	8,250,300	-
Total	\$ 659,662,707	\$ 676,535,568	\$ 16,872,861



2011 – 2015 Revenue Trend Analysis

	2011 - Actual	2012 - Actual (Unaudited)	2013 - Amended Budget*	2014 - Adjusted Financial Plan*	2015 - Adjusted Financial Plan*
Revenue					
Taxes (includes grants in-lieu)	476,968,520	495,526,167	553,079,549	627,490,722	651,615,008
Sales to Other Governments	2,077,293	5,341,330	4,561,999	4,517,778	4,522,263
Sales of Goods/Services	51,122,082	56,839,141	56,766,775	24,057,817	18,558,763
Other Revenue From Own Sources	44,556,163	58,371,901	41,050,626	56,365,190	57,556,089
Conditional Grants	10,409,775	10,428,077	12,826,319	12,740,879	12,741,379
Other Transfers	108,901,489	28,939,660	8,250,300	416,400	416,400
Total	694,035,322	655,446,276	676,535,568	725,588,786	745,409,902
Original budget and plan - Dec. 11, 2012			659,662,707	703,892,321	715,363,646
Additional Revenue			16,872,861	21,696,465	30,046,256

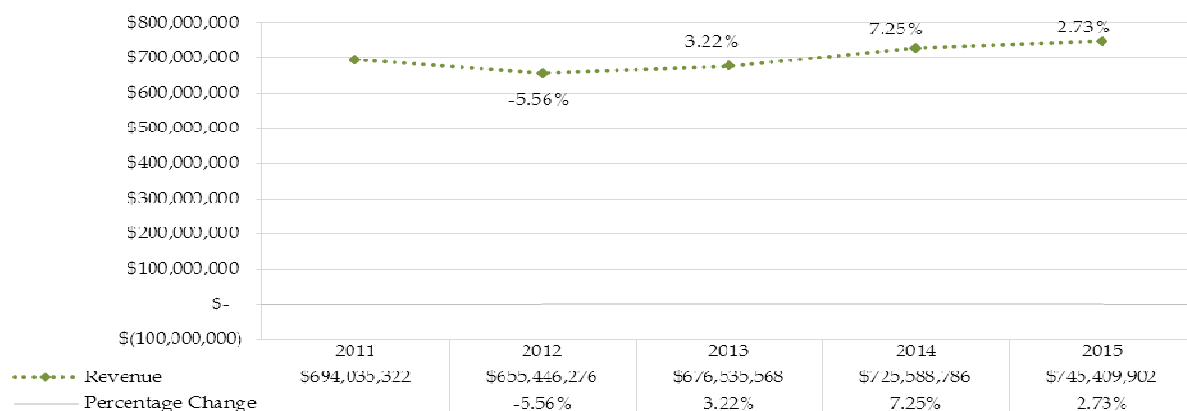
* incorporates the proposed change in tax bylaws, Utility Corporation and Transit Contract information

Approximately \$95M of \$109M in 'Other Transfers' in 2011 represented 2009 and 2010 balance transfers from the EIR of previous operating surpluses to the CIR. Actual transfers in 2012 include amounts deemed to be operating in nature transferred from approved capital project budgets. In the 2013 amended budget, increase in property tax revenues of approximately \$16.8M, due to growth based on assessment, causes the overall budget to increase by 3.2%. Property tax revenue increases from original plan are projected to be approximately \$39M and \$52M for 2014 and 2015.

Approximately \$31M and \$36M revenues attributable to the MCU for 2014 and 2015 are not included in revenues above. However, dividend and franchise fees of \$14M and \$16M for 2014 and 2015 have been included as part of revenues. The assumptions included were based on information provided in the business case to support the formation of the MCU.

The preliminary impact, as a result of the new transit partnership which transfers benefits and risks attributable to the transit system from the Municipality to the new provider, has been incorporated.

Revenue Profile 2011 – 2015



Increase revenue forecasted for 2014 and 2015 attributable to increased tax revenue due to assessment growth. Since Council approval of the 2013 operating budget in late 2012, property taxation revenue estimates for 2013-2015, based on tax revenue neutral plus new construction growth approach, have exceeded original projections.

2013 - 2015 REVENUE STRATEGY

General Revenue Strategy

Diverse revenue sources are adopted by the Municipality and appropriate recovery levels are 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. User 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 Municipality is currently undergoing a comprehensive user fee study scheduled for completion by second quarter of 2013. Pending the completion of this study, 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 municipality while supporting long term infrastructure needs.

PROPERTY TAXES

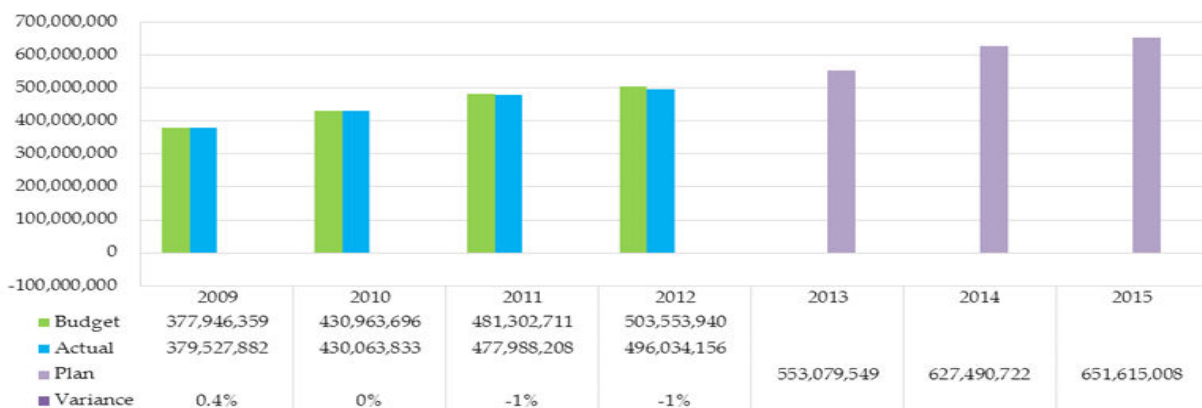
Property taxes are projected to be 82% of revenue for the Municipality for 2013 tax year. A fraction (0.1%) of this is from the rural residential class, 91.2% from rural non-residential, 6.3% from urban residential and 2.4% from urban non-residential.

The chart below depicts property tax revenues to be upward trending. The unfavorable variance is due to the impact of assessment appeals which are at varied stages of the appeal process. To mitigate the impact, commencing in 2013, the Municipality increased the budget for potential assessment appeal losses from 1% to 2% of municipal property tax revenue.

The realized and expected increase in property tax revenue is primarily due to an increase in assessment values from growth and not due to increases in property tax rates or market value increases. The Municipality maintains competitive property tax rates in the residential class compared to other Municipalities. Actual tax revenues have been adjusted to set funds aside for potential assessment losses.

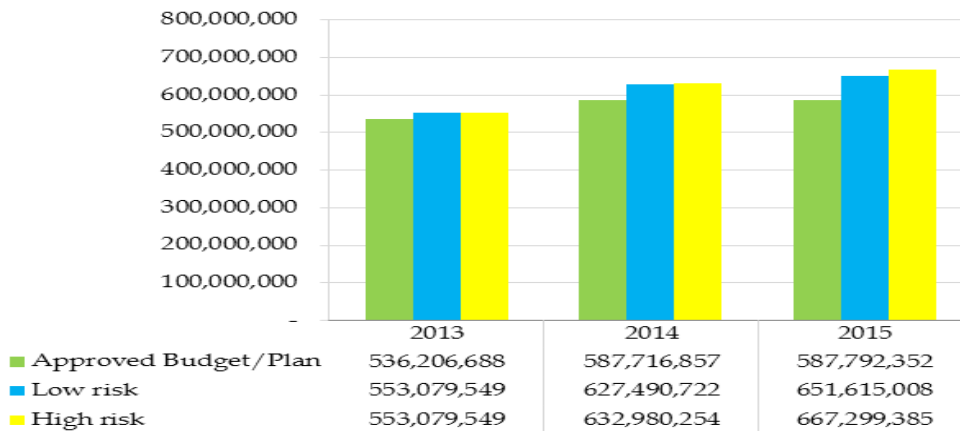
The property taxes category also includes grants in-lieu.

Property Taxes 2009 – 2015



From the chart above, actual property taxes compared to budget have provided an insignificant variance, which supports the conservative budget approach.

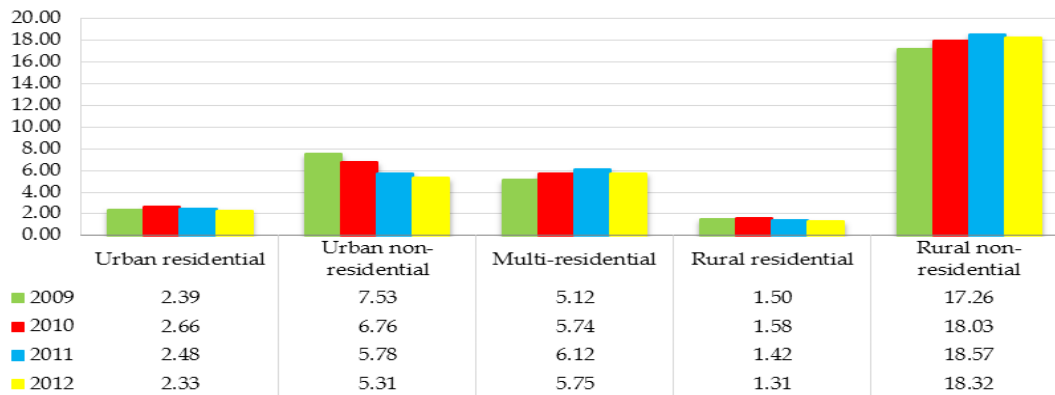
Property Tax Revenue Projections 2013 – 2015



2013-2015 taxes presented above are different from the approved 2013 budget and 2013-2014 plan based on revised estimates considering additional revenue from growth arising from the low risk scenario. The chart above is inclusive of LIP levies, budgeted as \$369,700 for 2013 through 2015, however does not include estimated assessment appeal losses of about \$11M in 2013.

It is assumed that the tax revenue projections are the same under the low risk / high risk for the current budget year because the tax philosophy followed only offers the low risk / high risk scenarios for future budget years.

Municipal Property Tax Rates 2009 – 2012 (%)

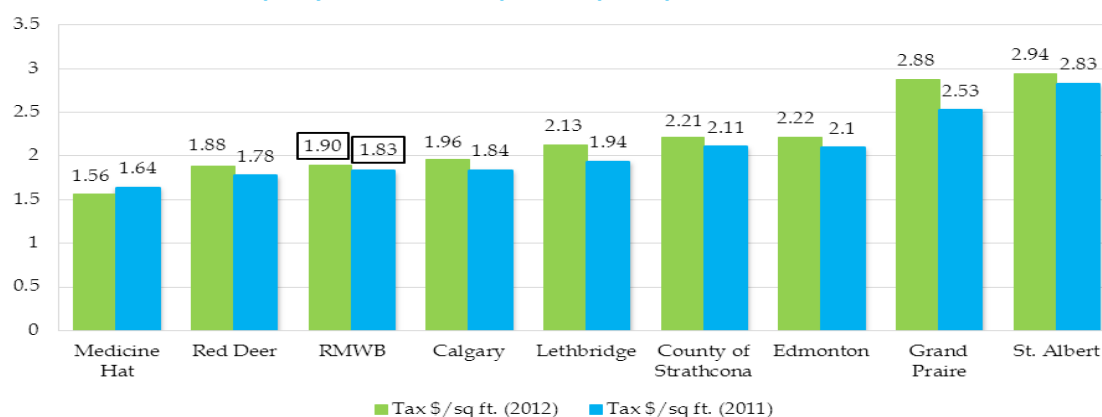


- Urban residential property tax rates have declined from 2.39% to 2.33% from 2009 to 2012 respectively;
- Urban non-residential rates have decreased by 30% over the last four years and are at 5.31% in 2012;

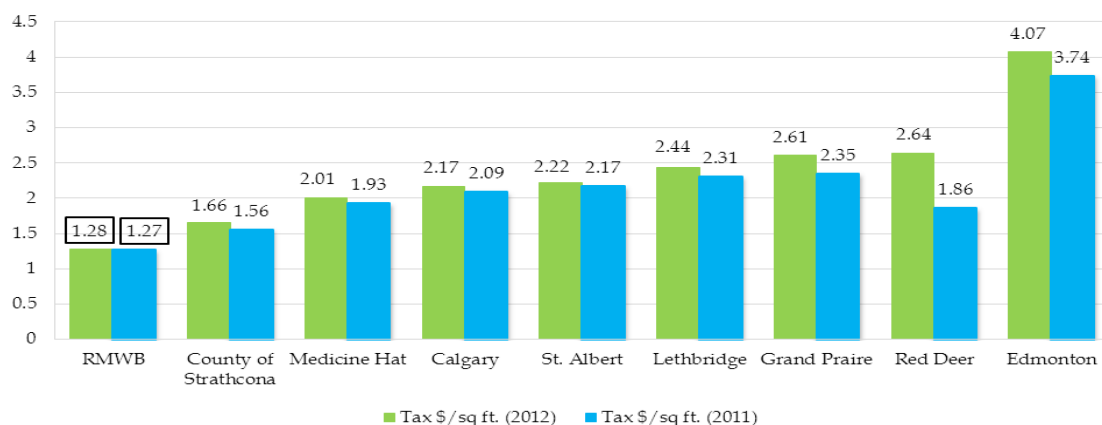
- Multi-residential rates increased from 5.12% in 2009 to 5.75% in 2012;
- Rural-residential represents the least amount of property tax revenue. The tax rates have declined from 1.5% in 2009 to 1.3% in 2012; and
- Rural non-residential property rate class generates the highest tax revenue. The property tax rates in this category have increased by 6% from 2009 and were 18.32% by the end of 2012.

The Municipality's non-residential and residential property tax cost per square foot in 2012, experienced by the residents were competitive compared to other municipalities in the province as seen in the charts below.

Urban Residential Property Tax Cost Comparison per square foot – 2011 - 2012

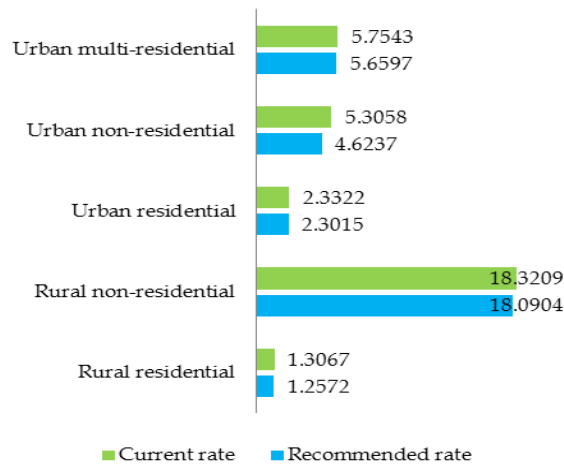


Urban Non-Residential Property Tax Cost Comparison per square foot – 2011 - 2012

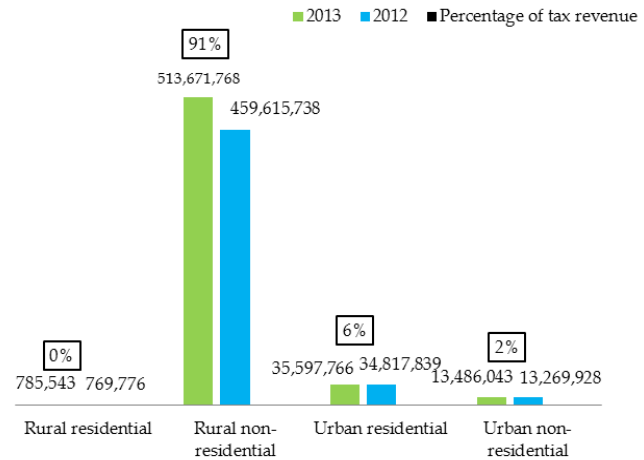


The property tax revenue distribution is presented in the chart below based on the 2013 amended budget.

Municipal Property Tax Rates – 2013



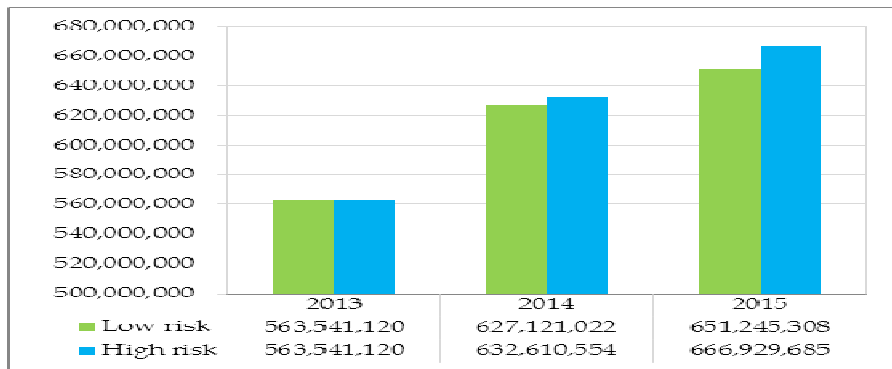
Property Tax Revenue Contribution by Source 2012 - 2013



Estimated property tax revenue for 2013 is projected to be approximately \$563 million based on revenue neutral assumption. In projecting property tax revenue, two scenarios are assumed: *low risk* and *high risk*.

The graph presented below presents the projected property tax revenues from 2013 to 2015.

Unadjusted Property Tax Revenue Projection 2013 – 2015



The chart above is exclusive of Local Improvement Plan (LIP) levies budgeted as \$369,700 for 2013 through 2015 and estimated assessment appeal losses of \$10,831,270 in 2013.

Movement from year to year represents tax revenue estimates using projected property assessment growth conservative outlook (low risk) and an optimistic outlook (high risk).

Property Tax Strategy

The Municipality's taxation strategy is guided by the underlying principles of predictability, stability and 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 allows the Municipality to maintain a revenue neutral methodology as a result of growth in assessment.

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.

SALES TO OTHER GOVERNMENTS

This category includes revenue arising from transactions between the Municipality and other public entities such as Aboriginal Affairs and Northern Development Canada (AANDC).

Sales to Other Governments 2009 – 2015

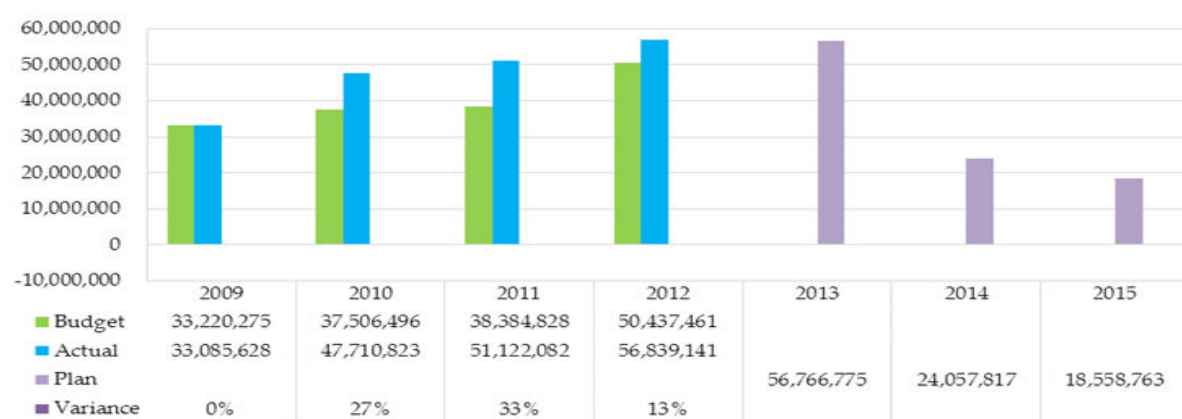


In the 2013 budget, proposed revenue generated from sale of good & services to other government is \$4,561,999. It is expected that the Municipality will maintain 2013 revenue levels in 2014 and 2015.

SALE OF GOODS & SERVICES

Sale of goods & services is a category that includes various items such as revenue from utility rates, ambulance fees, community program and facility fees.

Sales of Goods/Services 2009 – 2015



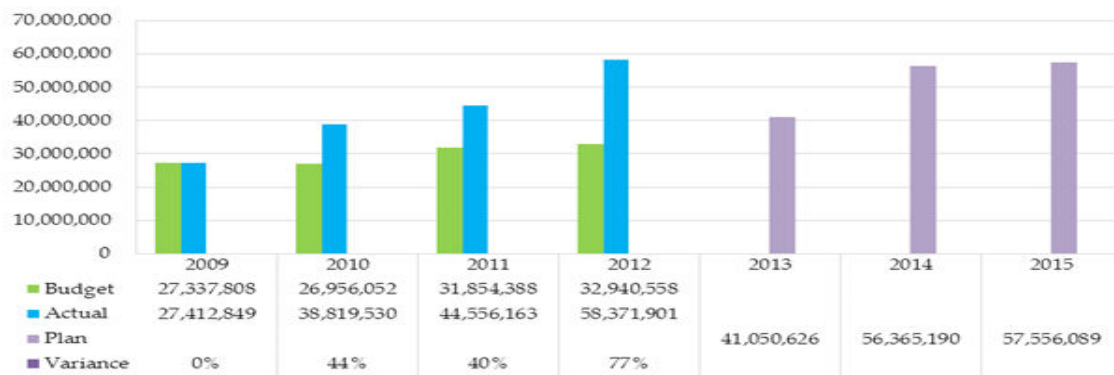
Actual revenue from the sale of goods & services has increased in the past four years.

Approximately \$31M and \$36M revenues attributable to the MCU for 2014 and 2015 are not included in revenues above per the business case to support formation of the utility.

OTHER REVENUE FROM OWN SOURCES

This category includes revenue from permits, fines & penalties, franchise fees and interest from investments. The revenue from this category is approximately \$41 million - about 7% of the total 2013 amended revenue budget – the major contributors to this category being revenue from building permits and interest income. The revenue from own sources have consistently exceeded budget expectations in the past.

Other Revenue from Own Sources 2009 – 2015

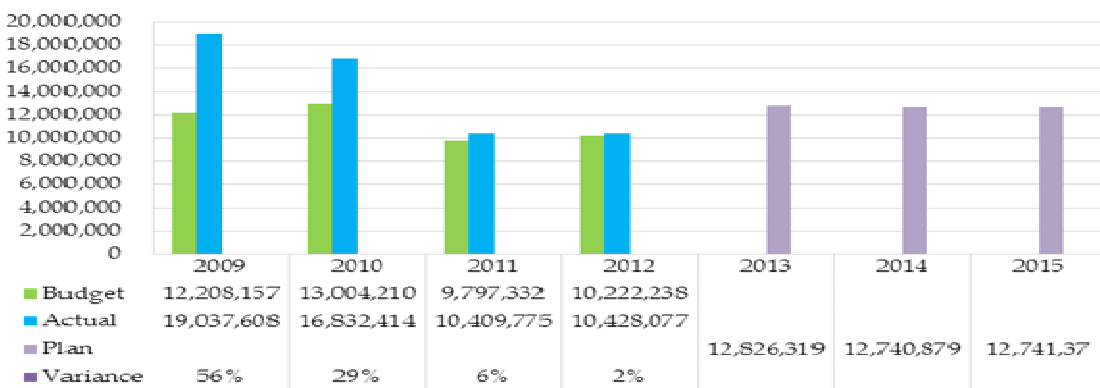


Dividend and franchise fees of approximately \$14M and \$16M for 2014 and 2015 from the MCU have been included as part of revenues above per the business case to support formation of the utility.

CONDITIONAL GRANTS

Conditional grants include funds secured from federal and provincial government such as the Royal Canadian Mounted Police (RCMP) Grant. Budget variances in this category signify the excess funding received above the budgeted amounts.

Conditional Grants 2009 – 2015

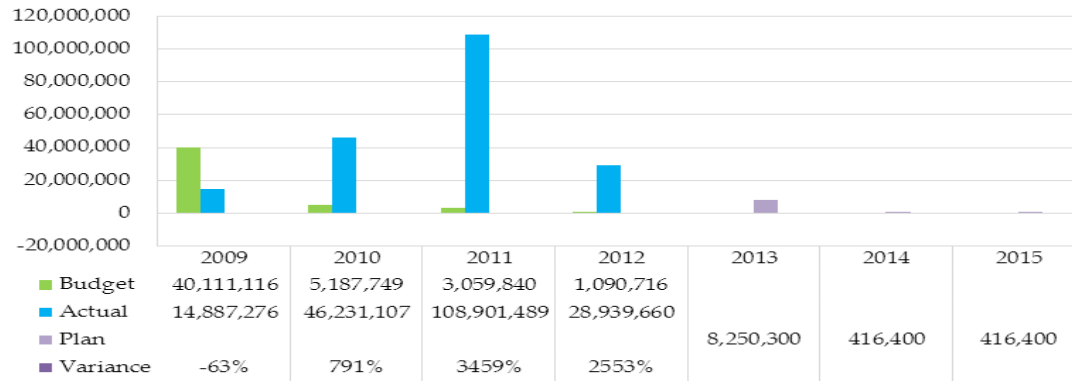


OTHER TRANSFERS

The two main revenue items that are recorded in this category are internal charge allocations and transfers from reserves. The 2011 variance is largely comprised of the \$95M transfer from the Emerging Issues Reserve – which was due to prior year surpluses that accumulated in the EIR reserve balance. The 2012 variance was due to transfer of amounts deemed to be operating in nature transferred from approved capital project budgets. Plan balances of \$416,400 in 2014 and 2015 are transfers from the Photo Radar Enforcement Program. Net revenue from the Photo Radar Enforcement Program are held

in the Community Initiatives Reserve and then allocated to preventive programs and community grants. Other components of the variances are transfer from reserves to offset program costs.

Other Transfers 2009 – 2015



Council approval is required to access Emerging Issues Reserve and Capital Infrastructure Reserve funding.

EXPENDITURE SUMMARIES

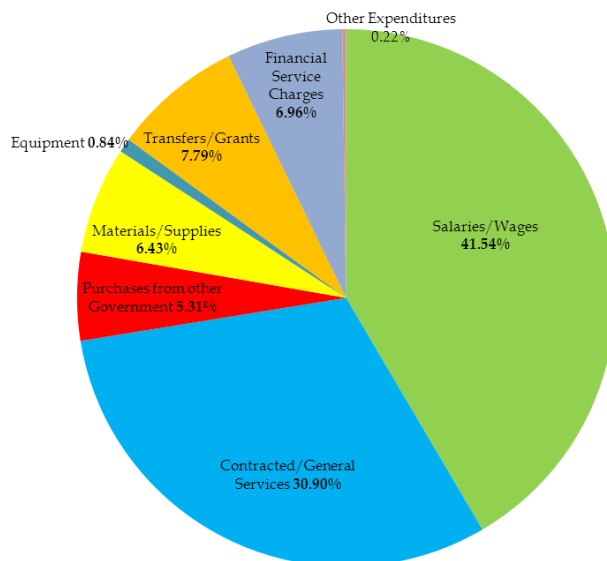
The Municipality has eight expense categories: salaries, wages & benefits, contracted & general services, purchases from other governments, materials/goods/supplies & utilities, small equipment & furnishings, transfer & grants, financial service charges and other expenditures.

The 2013 amended budget increased year-over-year by \$28 million represents a 7% increase from previous year actuals. This is due to increased costs (due to inflation) for maintaining current level of services provided to the region, growth and delivery of new services.

2013 – Amended operating budget expenditure composition - \$456,160,390

	2013 - Original Budget	2013 - Amended Budget	Variances
Expenses			
Salaries, Wages & Benefits	191,200,099	189,483,736	(1,716,363)
Contracted & General Services	135,588,356	140,948,919	5,360,563
Purchases From Other Governments	24,236,800	24,236,800	-
Materials, Goods, Supplies & Utilities	32,119,003	29,324,003	(2,795,000)
Small Equipment & Furnishings	4,692,838	3,843,638	(849,200)
Transfers & Grants	35,538,602	35,538,602	-
Financial Services Charges	31,759,077	31,759,077	-
Other Expenditures	1,025,615	1,025,615	-
Sub-Total	\$ 456,160,390	\$ 456,160,390	-
Transfer to Reserve	203,502,317	220,375,178	16,872,861
Total	\$ 659,662,707	\$ 676,535,568	\$ 16,872,861

2013 – Amended Operating Budget - \$456,160,390



2011 – 2015 Expenditure Trend Analysis

	2011 - Actual	2012 - Actual (Unaudited)	2013 - Amended Budget*	2014 - Adjusted Financial Plan	2015 - Adjusted Financial Plan
Expenses					
Salaries, Wages & Benefits	157,541,898	163,081,339	189,483,736	176,776,865	180,365,746
Contracted & General Services	99,072,114	121,536,244	140,948,919	178,971,909	181,391,457
Purchases From Other Governments	20,177,725	22,922,173	24,236,800	24,693,304	25,153,698
Materials, Goods, Supplies & Utilities	25,549,382	26,986,073	29,324,003	18,677,283	19,097,028
Small Equipment & Furnishings	5,726,003	4,720,086	3,843,638	2,078,110	2,083,721
Transfers & Grants	60,945,129	53,744,903	35,538,602	30,171,193	22,667,960
Financial Services Charges	34,124,469	32,257,780	31,759,077	73,256,477	76,227,036
Other Expenditures	5,011,711	2,346,132	1,025,615	866,493	498,085
Total Expenditures	\$ 408,148,433	\$ 427,594,730	\$ 456,160,390	\$ 505,491,634	\$ 507,484,731
Original budget and plan - Dec. 11, 2012			\$ 456,160,390	\$ 492,337,586	\$ 491,417,481
Increased Expenditure			\$ -	\$ 13,154,048	\$ 16,067,250
Original Transfer to Reserve - Dec 11, 2012	\$ 285,886,889	\$ 227,851,546	\$ 203,502,317	\$ 211,554,735	\$ 223,946,165
Amended and Proposed Transfer to Reserve			\$ 220,375,178	\$ 220,097,152	\$ 237,925,171
Additional Transfer to Reserve			\$ 16,872,861	\$ 8,542,417	\$ 13,979,006
Total change from original budget and plan			\$ 16,872,861	\$ 21,696,465	\$ 30,046,256

* incorporates the proposed change in tax bylaws

The expenditure in 2012 increased by 4.8% largely due to salaries & benefit increases as well as costs incurred for providing additional contracted services. Approximately \$69M and \$71M expenditure amounts in various categories attributable to the MCU for 2014 and 2015 are not included in expenditure above. However, \$40M and \$41M have been included as service fees for 2014 and 2015 respectively thereby incorporating assumptions from the business case to support the formation of the MCU. Additional debt service amounts of approximately \$42M and \$45M have been included for 2014 and 2015 respectively.

2014 – 2015 Amended operating budget expenditure composition

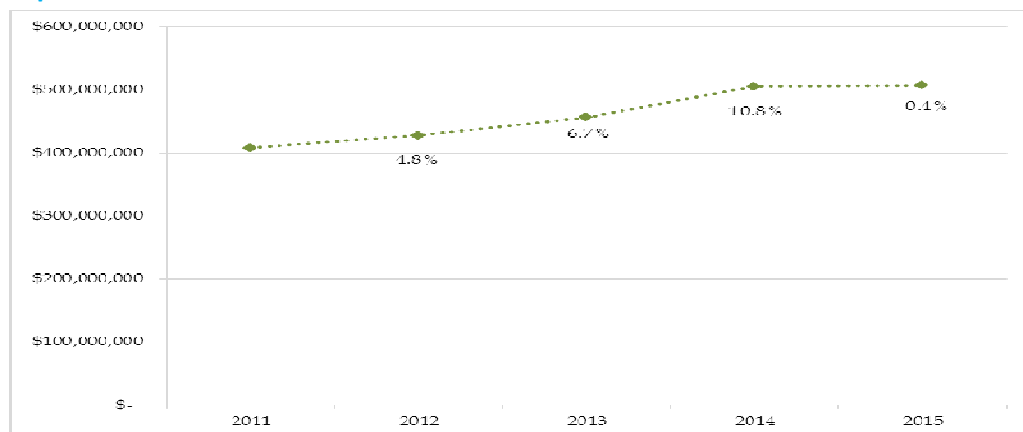
	2014 - Original Plan	2014 - Adjusted Plan	Variances
Expenses			
Salaries Wages and Benefits	209,583,077	176,776,865	(32,806,211.7)
Contracted and General Services	158,387,736	178,971,909	20,584,173.2
Purchases from Government	24,693,304	24,693,304	-
Materials Goods Supplies	33,420,853	18,677,283	(14,743,570.5)
Small Equipment & Furnishings	4,193,896	2,078,110	(2,115,786.0)
Transfers & Grants	30,171,193	30,171,193	-
Financial Service Charge	31,021,034	73,256,477	42,235,443.2
Other Expenditure	866,493	866,493	-
Sub-Total	\$ 492,337,586	\$ 505,491,634	13,154,048
Transfer to Reserve	211,554,735	220,097,152	8,542,417
Total	\$ 703,892,321	\$ 725,588,786	\$ 21,696,465

	2015 - Original Plan	2015 - Adjusted Plan	Variances
Expenses			
Salaries Wages and Benefits	213,922,742	180,365,746	(33,556,996.1)
Contracted and General Services	159,867,901	181,391,457	21,523,556.1
Purchases from Government	25,153,698	25,153,698	-
Materials Goods Supplies	34,135,469	19,097,028	(15,038,440.9)
Small Equipment & Furnishings	4,241,823	2,083,721	(2,158,101.7)
Transfers & Grants	22,667,960	22,667,960	-
Financial Service Charge	30,929,803	76,227,036	45,297,232.7
Other Expenditure	498,085	498,085	-
Sub-Total	\$ 491,417,481	\$ 507,484,731	16,067,250
Transfer to Reserve	223,946,165	237,925,171	13,979,006
Total	\$ 715,363,646	\$ 745,409,902	\$ 30,046,256

Note: The variances in the above charts are due to the new MCU and debt service (Financial Services Charges) as a result of drawn debt.

The expected expenditure from 2013 through 2015 is upward sloping as depicted in the chart below.

Expenditure Profile 2011 – 2015



As illustrated in the chart above, the spike in 2014 and 2015 is due to additional debt service charges as a result of drawn debt.

2013 - 2015 EXPENDITURE STRATEGY

General Expenditure Strategy

Monthly, 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.

Budgets must be in place for all expenditures for both operating and capital costs. 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 the FMS, the following expenditure assumptions have been made:

- Undrawn debt of \$350M at the end of 2011 will be drawn at the beginning of 2014 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.

Salaries, wages and benefits usually account for about 42% of the Municipality's total approved operating budget. There are labour agreements in place until the end of 2013 for unionized staff.

The table below depicts the increase in salaries, wages & benefits that have been agreed with The Canadian Union of Public Employees (CUPE) and International Association of Fire Fighters (IAFF).

	2011	2012	2013
CUPE	4%	3.50%	3%
IAFF	5%	4%	3%

Exempt staff increases are based on annual performance reviews and market rate increases. Vacant positions are usually partially funded based on estimated hiring dates.

The Municipal debt strategy is:

- for debt limit, not exceed 85% of the debt limit per *Municipal Government Act* and regulations; and
- for debt service, not exceed 85% of the debt service limit per *Municipal Government Act* and regulations.

SALARIES, WAGES & BENEFITS

Salaries, wages & benefits account for almost 42% of the 2013 approved operating budget totaling \$189 million. The budget has increased 20% from the previous year budget. The attribution of this increase is threefold:

- Increase in salaries for the existing employees as per the union agreements;
- Beginning with the 2013 budget, a 10% corporate adjustment that had been in place in the previous two budget years was discontinued (\$17.3M and \$17.8M); and
- While the Municipality still faces difficulty filling some positions, recruitment efforts in the past two years have resulted in filling most of the vacancies.

Salaries, Wages & Benefits 2009 – 2015



Prior to 2011, there had been significant variances in this category primarily due to structural vacancies. A 10% (\$17.3M) corporate adjustment was incorporated in 2011 and 2012 which reduced the variance

significantly. However, this adjustment is discontinued from 2013 budget year as these vacancies have gradually been filled over the last two years.

CONTRACTED & GENERAL SERVICES

Contracted & general services consist of various expense categories including recruitment, training, travel, telephones & internet, professional services, legal costs and other minor expense categories.

Contracted & General Services 2009 – 2015



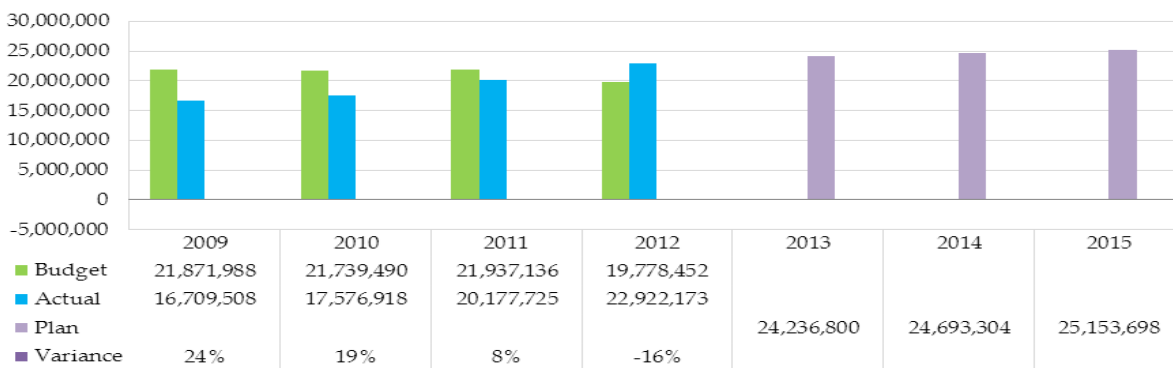
This expense category is influenced by operating projects and changes in pricing of ongoing operations. The contracted & general services cost increased about 15% from last year actuals partly because of additional professional services including consulting. The net change in 2014 and 2015 is related to the exclusion of MCU's expenses and inclusion of service fee related to MCU.

PURCHASES FROM OTHER GOVERNMENTS

Purchases from other governments include transactions between other municipalities and other public agencies. A significant portion of these costs are related to RCMP contracts.

Purchases from other governments represent 6% of the 2013 approved budget. Purchases from other governments are expected to remain relatively flat over the next few years.

Purchases from Other Governments 2009 – 2015

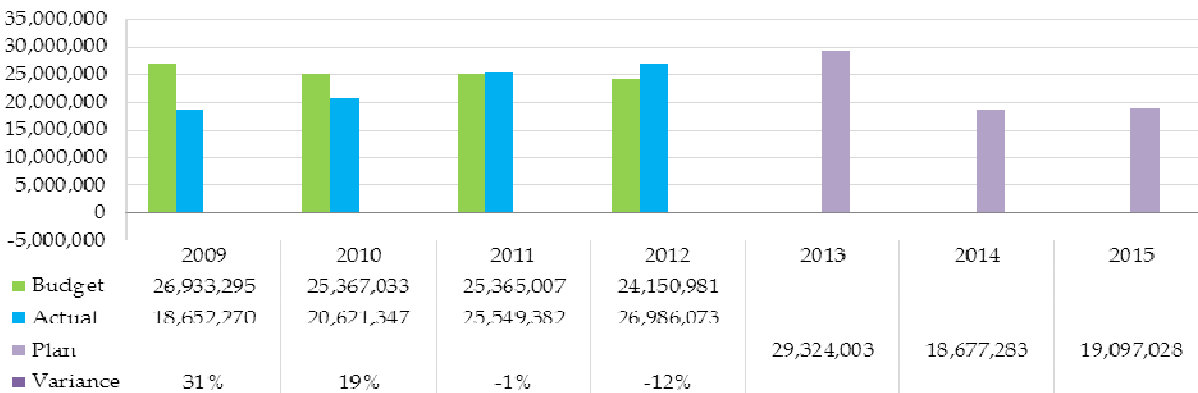


Increased amounts in 2013 are based on increased rates in the Municipal Police Service Agreement.

MATERIALS, GOODS, SUPPLIES & UTILITIES

The materials, goods, supplies & utilities category consists of expenses incurred to maintain and operate the Municipality on a daily basis. The major items in this category include fuel & lubes, chemicals & salts, natural gas and electricity.

Materials, Goods, Supplies & Utilities 2009 – 2015

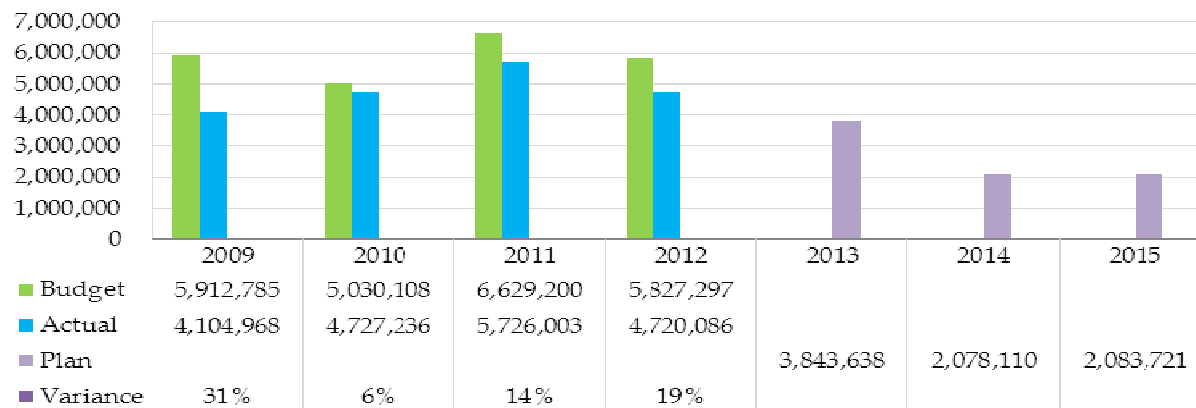


The cost of materials and other related supplies increased by 8.7% in 2013 for this category. The sharp drop in 2014 and 2015 is due to exclusion of cost attributed to MCU, which is approximately \$14M and \$15M respectively. The drop in expenses related to Materials is recaptured under Contracted & General Service as a service fee related to the MCU.

SMALL EQUIPMENT & FURNISHINGS

The major categories in small equipment & furnishing include office equipment, computer hardware and field equipment.

Small Equipment & Furnishings 2009 – 2015



The expenses in 2013 reduced further as a result of expected slowdown in office equipment as most renovations have been completed. Once again, the decline in 2014 and 2015 is a result of exclusion of cost attributed to MCU, which account to approximately \$2.1M per annum.

TRANSFERS & GRANTS

Transfers to capital, reserves and other internal charges are recorded in this expense category. The amounts presented in the chart are inclusive of reserve transfers and are different from the chart presented in the revenue summaries section of the report.

Transfers & Grants 2009 - 2015



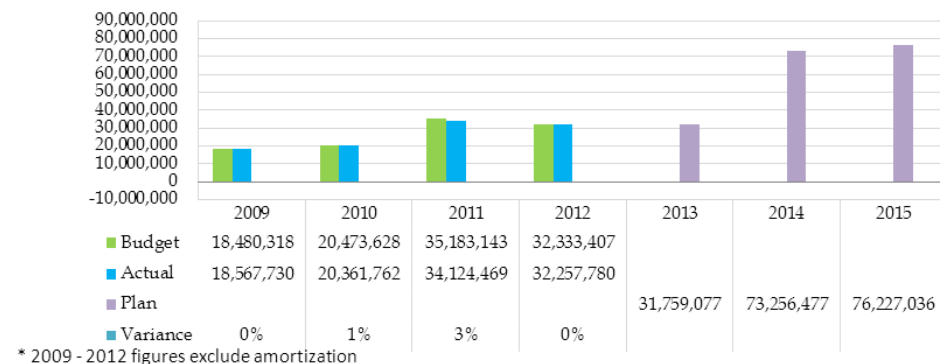
The large variances in this category are a result of additional revenue that the Municipality generates, which are transferred to either CIR or EIR, as approved by Council.

The transfer for 2012 included \$220 million for capital purposes. This amount represents the amount transferred and committed to current and future capital requirements. The transfer of \$220 million to the CIR is included in the 2013 amended budget.

FINANCIAL SERVICES CHARGES

Items included in this category include bank charges, debenture principal & interest as well as amortization. However, the chart below is exclusive of amortization since the Municipality currently does not budget for amortization. Debt service budget provisions are based on actual drawn debt.

Financial Services Charges 2009 – 2015

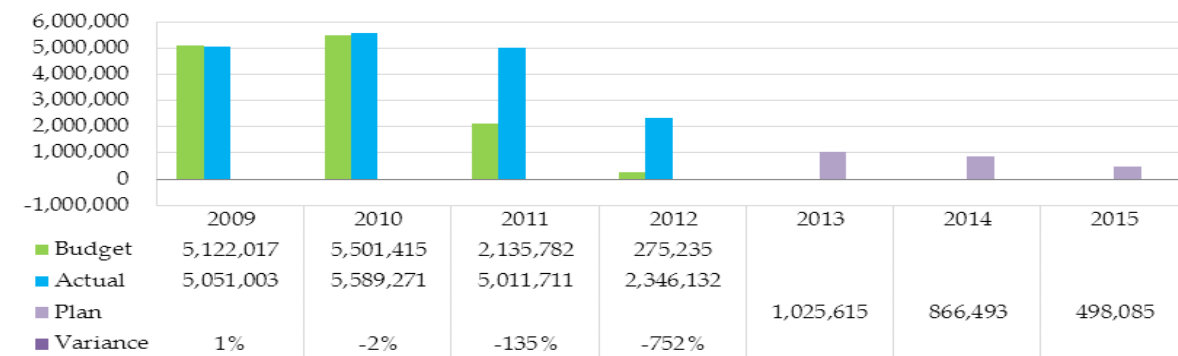


If undrawn debt of \$350M is drawn at the beginning of 2014 and subsequent debt drawn three years after commitment or approval, debt service would be \$73M and \$76M for the years 2014 and 2015 respectively. The impact on debt service limits is reflected below in the section on “Debt and Debt Service Limits”. Administration continues to monitor cash flow requirements as well as prevailing and projected interest rate levels.

OTHER EXPENDITURES

Charges related to internal services, bad debt expense, inventory shrinkage are some of the major expenses that are recorded in Other Expenditures.

Other Expenditures 2009 – 2015



2011 and 2012 large variances above are 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.

DEBT AND DEBT SERVICE

The Debt Limit and Debt Service Limit for the Municipality are governed by Alberta Regulation 255/2000 of the MGA and Municipality's Debt Management Policy FIN - 120.

Debt Strategy

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

- Use debt to fund capital projects that have a longer useful life;
- Use debt finance as a funding 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.

The Municipality considers the use of alternative sources of funding such as grants, developer contributions, off-site levies, donations, user fees, or reserves for capital asset acquisition or construction to minimize the requirement for debt. The Alberta Capital Finance Authority (ACFA) is the lender of choice unless a more attractive loan arrangement is available from another acceptable lender.

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.

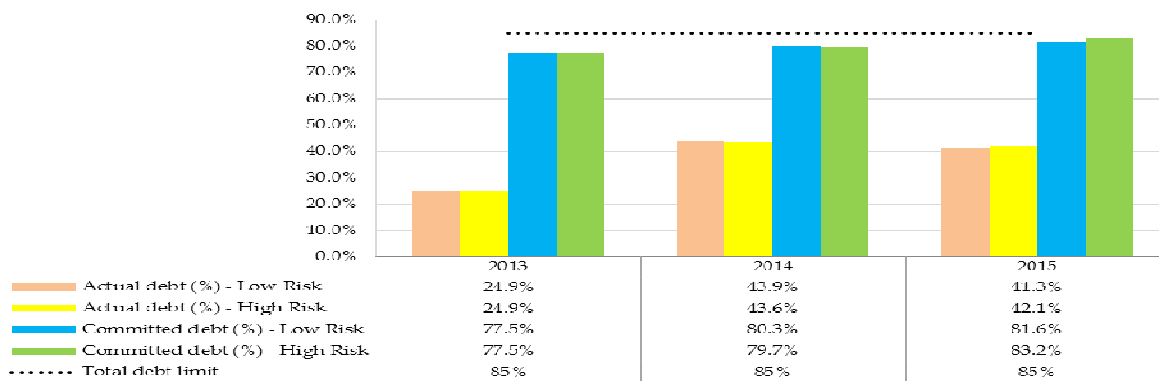
DEBT LIMIT

The MGA established Debt Limit of two times the total revenue.¹ The Municipality's Debt Management Policy FIN-120 is 85% of the legislated limit.

Actual debt refers to actual debentures drawn and outstanding by the Municipality while committed debt refers to total debt approved (through debenture bylaws) eligible to be drawn by the Municipality. Committed debt is an addition of actual debt drawn and undrawn debt.

¹ Total revenue reported in the last year audited annual financial statement

Debt Limit Trend 2011 – 2015

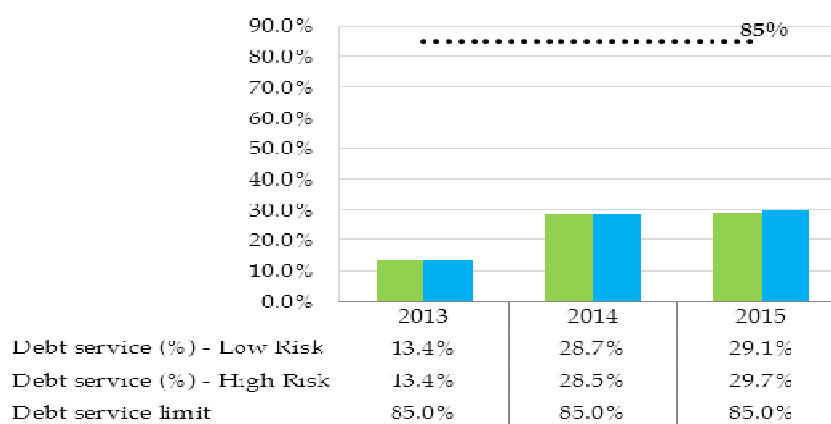


DEBT SERVICE LIMIT

Debt Service is defined as annual principal and interest amounts owing on outstanding loans made by the Municipality *plus* annual principal and interest amounts that the Municipality will be liable to pay on loans guaranteed by the Municipality.

The MGA Debt Service Limit is calculated as .35 times of the total revenue. The Municipality's Debt Management Policy establishes a limit as 85% of the legislated limit and was amended in 2012 increasing the limit from 75% to 85% of the legislated limit. As depicted in the chart below, both the low risk and high risk outlook on debt service are under the prescribed limit of 85% of the MGA as set by Council.

Debt Service Comparison (%) 2013 – 2015



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 Council's approval.

FISCAL STABILITY RESERVES

General Reserve Strategy

The Municipality has an established reserve strategy that allows us to meet future operations and capital expenditures.

The reserve is in place to hedge against future risk factors including:

- Revenue shortfalls
- Unanticipated expenditure increases
- To ensure stable property tax rates

The Municipality has established two reserves, the Emerging Issues Reserve and Capital Infrastructure Reserve, through Fiscal Responsibility Policy FIN - 160 approved April 26, 2011. Council approval is required to utilize funding from both reserves.

EMERGING ISSUES RESERVE (EIR)

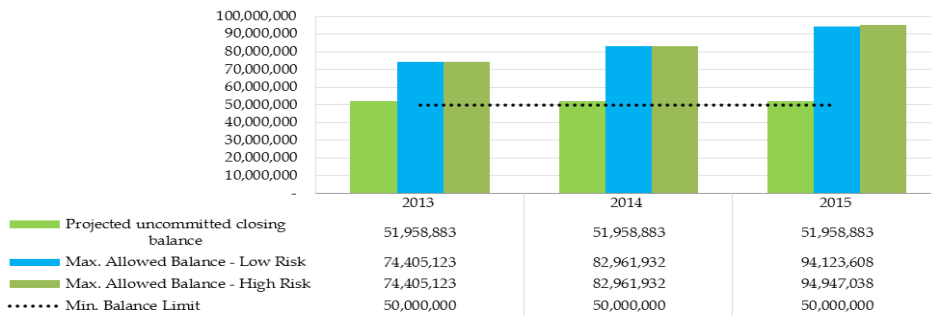
The EIR was established by Council in 2002 to stabilize operating revenues in response to unanticipated loss of revenue as well as provide funding flexibility in responding to unplanned events and other significant price changes. Funding of the EIR comes from operating surplus (if any) at the end of the financial year.

The EIR is governed as follows:

- Maximum EIR balance equivalent to 15% of the audited prior year's net property tax revenue and is subject to a minimum uncommitted balance of \$50 million; and
- Council approval is required to utilize funding from the EIR.

As depicted in the chart below, \$50 million minimum uncommitted balance is maintained in the EIR for the period 2013-2015.

Projected Emerging Issues Reserve Balances 2013 – 2015

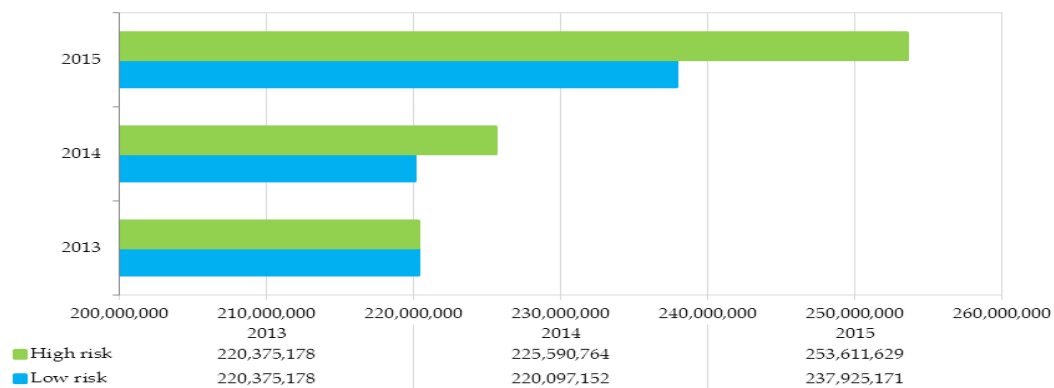


Capital Infrastructure Reserve (CIR)

The CIR has been established to provide a source for capital project funding with a minimum uncommitted balance of \$50 million. The reserve is in place to fund unanticipated capital program requirements. The \$16.8 million increase in the amended tax revenue for 2013 is also adjusted in the CIR balances.

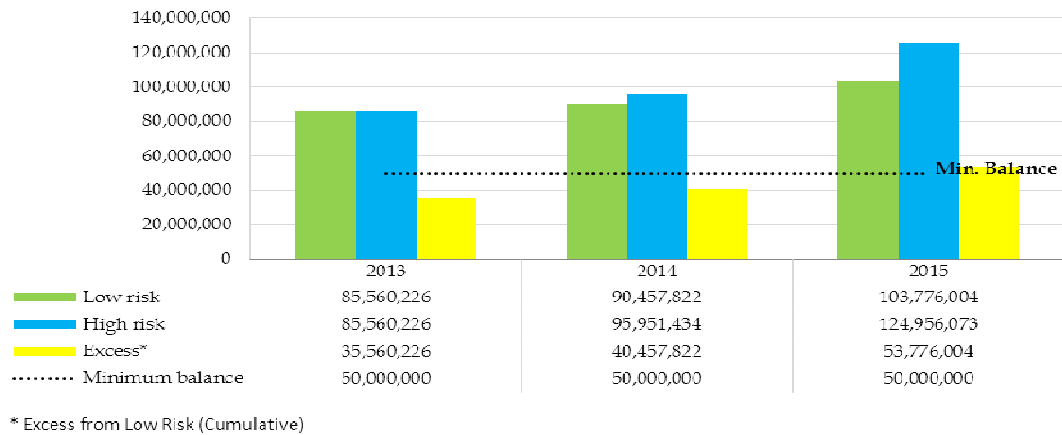
The forecast capital infrastructure contributions are presented in the graph.

Projected Operating Budget Transfer to CIR 2013 – 2015

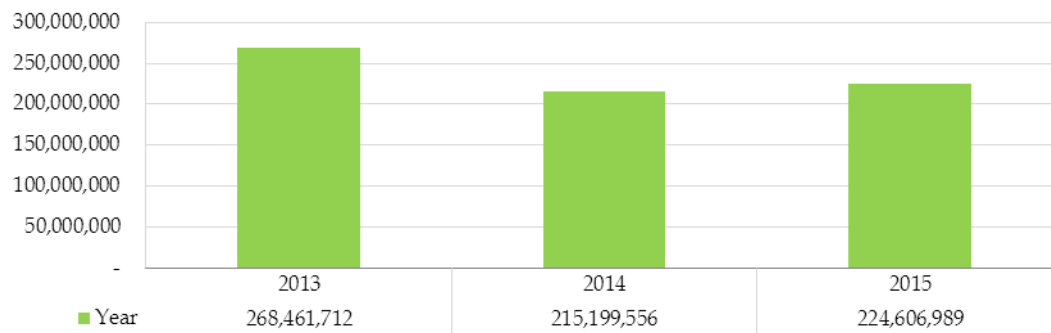


Based on the low/high risk scenarios, the projected balance in the CIR is found in the chart below. It is important to note that both forecast scenarios exceed the \$50 million (minimum balance) requirement. The excess balance, as presented in the chart below, will not be used to finance the \$590 million unfunded capital projects until prioritization of capital projects is completed.

Capital Infrastructure Reserve Projected Balance 2013 – 2015



Projected CIR drawdown 2013 - 2015



INVESTMENTS

The Municipality's investment of funds is governed under Investment Policy FIN – 140 (as approved by Council).

General investment strategy

The investment strategies adopted by the Municipality 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 determine term horizon.

The primary objectives of the policy, in order of importance, are:

- Safety of Principal – investments shall be undertaken in a manner that seeks to ensure the preservation of capital.
- Liquidity – the investment portfolio shall remain sufficiently liquid to meet all operating and capital cash requirements that may be reasonably anticipated.
- Return on Investment – the investments of the fund shall be structured with the objective of attaining a market rate of return.

Permitted Investments

The investment type is restricted to fixed income securities that are of high credit quality and meet the following maturity criteria:

- Short term investments (maturity of less than a year)
- Medium/Long term investments (maturity of less than ten years)

Total Portfolio Performance Summary (December 31, 2012)

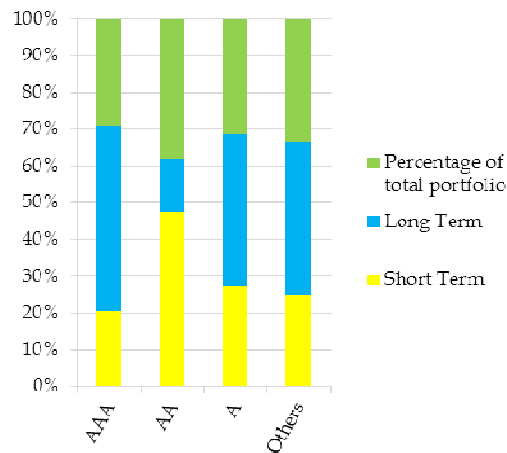
Market Value		Annualized			Annual (1-year Ending)			
		3 months	1 year	4 year	2012	2011	2010	2009
\$709.9 M	Total Portfolio	0.4%	2.2%	2.8%	2.2%	3.5%	2.4%	2.9%
100%	DEX 91 Day T-Bill Index	0.3%	1%	0.8%	1%	1%	0.5%	0.6%
	Excess Return (%)	0.1%	1.2%	2%	1.2%	2.5%	1.9%	2.3%
	DEX Short Term	0.3%	2%	3.7%	2%	4.7%	3.6%	4.5%
	Quartile	Q1	Q1	Q1	Q1	Q1	Q1	Q1
\$198.8 M	Long Term Portfolio	0.3%	2.9%	5.3%	2.9%	8.9%	5.9%	3.8%
28%	DEX Universe Bond Index	0.3%	3.6%	6.3%	3.6%	9.7%	6.7%	5.4%
	Excess Return	0%	-0.7%	-1%	-0.5%	-0.8%	-0.8%	-1.6%
	Quartile	Q4	Q4	Q4	Q4	Q3	Q4	Q4
\$511.1 M	Short Term Portfolio	0.5%	2.3%	2.6%	2.3%	3.2%	2.2%	2.8%
72%	DEX 91 Day T-Bill Index	0.3%	1%	0.8%	1%	1%	0.5%	0.6%
	Excess Return	0.2%	1.3%	1.8%	1.3%	2.2%	1.7%	2.2%
	Quartile	Q1	Q1	Q1	Q1	Q1	Q1	Q1

The securities distribution of the portfolio is allocated such that 28% of the holdings are allotted to the Long-Term Portfolio and 72% to the Short-Term Portfolio. Overall portfolio performance has been above benchmark for the last five years. This ensures the safety of the capital and provides an above market rate of return as prescribed in the investment policy.

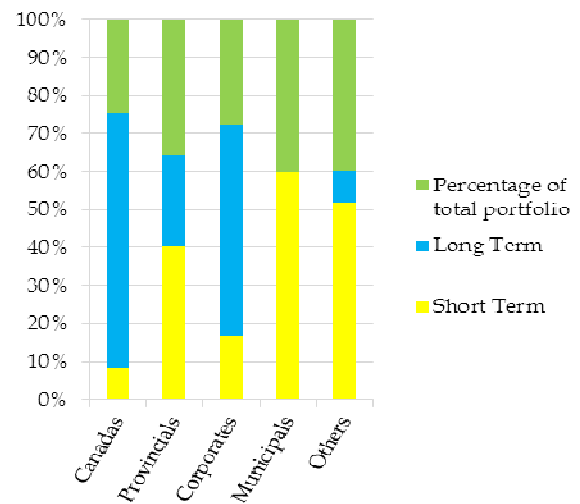
The liquidity of the portfolio is also maintained as most of the investments can be readily converted or liquidated.

As illustrated in the chart below, the quality of investment grade is also maintained while achieving an above market rate of return.

**Total Portfolio Investment Quality Analysis
(December 31, 2012)**



**Total Portfolio Sector Analysis
(December 31, 2012)**



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

FINANCIAL CONDITION INDICATORS

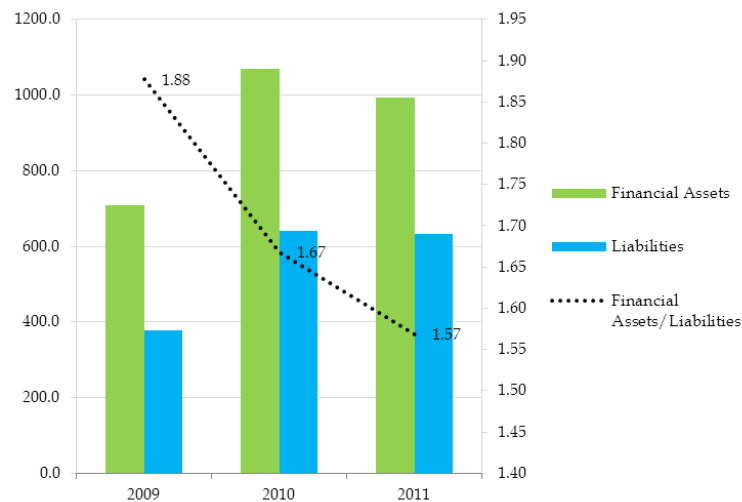
The Municipality uses three sets of financial conditions to measure its overall financial health: sustainability, flexibility, vulnerability.

SUSTAINABILITY

Sustainability refers to the Municipality's ability to maintain existing programs and meet creditor requirements without the need to take on more debt.

Within this category, the Municipality uses two financial indicators to measure its performance:

Ratio of Financial Assets to Liabilities 2009 - 2011 (in millions)



Financial assets-to-liabilities – This ratio measures whether the Municipality has adequate resources to pay its debts as they come due. The liabilities are adjusted for *deferred revenue* related to grant funding that is received but not yet expended according to the terms of the grant agreement. The ratio is continuing to decline which indicates that the Municipality is relatively leveraged for financing future capital projects.

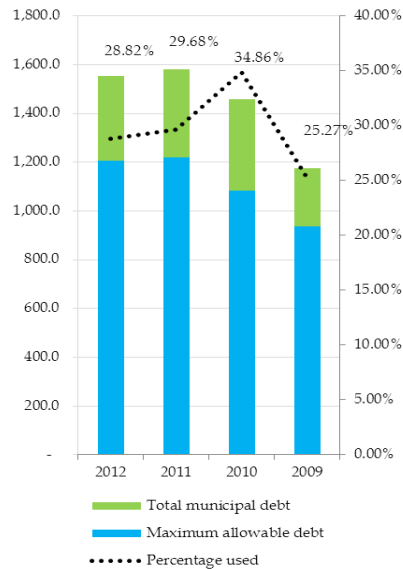
A ratio of 2:1 is desirable. To ensure that the Municipality does not fall below this target, the Municipality needs to reprioritize existing capital projects, to ensure less reliance on debt as a source of funding, as well as consider extending time horizons of these projects.

FLEXIBILITY

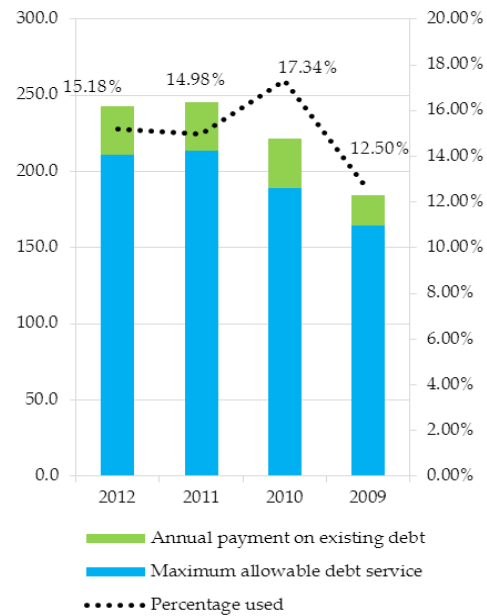
In the flexibility category, the Municipality uses one indicator: *Public debt charges-to-Maximum allowable debt* – this is a measure of resources spent on debt and debt service relative to the maximum allowable debt as prescribed in the MGA.

As illustrated in the two figures below, the debt and debt service limit are maintained at relatively stable levels without any major swings. This indicates that the debt levels are not negatively impacting the delivery of programs without compromising revenues for debt service. The debt included in this section contains *actual* debt and does not incorporate the expected debt that is to be drawn in future.

Debt Limit Usage 2009 – 2012
(in millions)



Debt Service Limit Usage 2009 – 2012
(in millions)



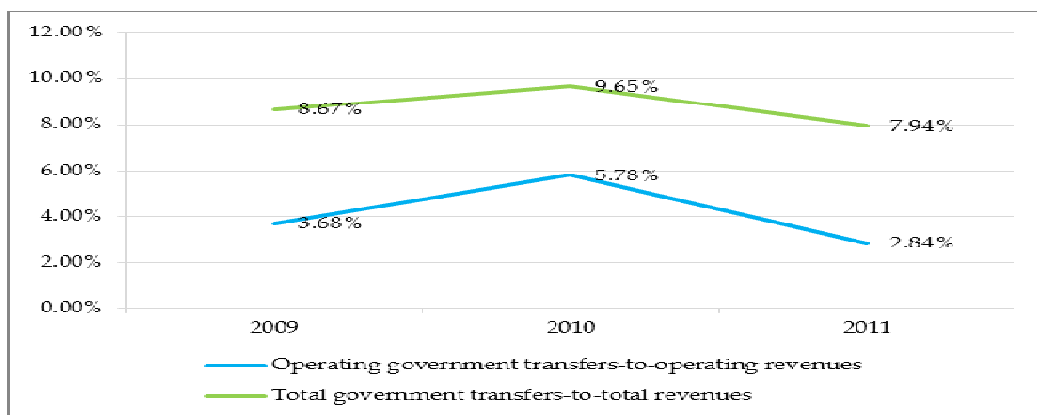
VULNERABILITY

Two indicators are used:

Operating government transfers-to-operating revenues – this is a measure of how much the Municipality is dependent on provincial and federal transfers relative to the operating revenue generated.

Total government transfers-to-total revenues – this is a measure of the level of provincial and federal grants to support both operating and capital programs at the municipality.

Vulnerability Indicators 2009 - 2011



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.

Subject: Bylaw No.13/016 – 2013 Property Tax Rate**APPROVALS:**

Kola Oladimeji, Director
Elsie Hutton, Chief Financial Officer
Glen Laubenstein, Chief Administrative Officer

Administrative Recommendations:

1. THAT the 2013 Operating Budget be amended by increasing transfer to Capital Infrastructure Reserve by \$16,872,861.
2. THAT Bylaw No. 13/016, being the 2013 Property Tax Rate Bylaw, be read a first 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 property 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 taxable properties within each of the property classes throughout the Municipality. The Order in Council creating the specialized Regional Municipality of Wood Buffalo provided Council with the authority to establish a mill rate structure for each of the Urban and Rural Service Areas.

Assessment valuation standards are prescribed by the Alberta 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 assessment which is an estimate of the market value as of July 1, 2012. Machinery and equipment and linear property are assessed based on a regulated cost approach standard established by Ministerial Regulations.

Property taxes are levied to raise revenue to fund municipal expenditures and pay external requisitions from Alberta Education, and seniors' housing (Ayabaskaw Home 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 levies, 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. The education requisition received from the Province for this year has increased by \$16,316,188 which equates to an overall 39% increase from 2012. The average homeowner will experience a 42.9% increase in education taxes which translates to \$408 per year. The latest information received from the Province indicates a two year phase, therefore a similar increase in education taxes is expected for next year.

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 understanding of the 2013 Property Tax Rate recommendations, the following clarifications are provided:

- Property tax remaining tax revenue neutral simply means that the inflationary aspects of the real estate market have been factored out of the mill rate calculation and as a result, the Municipality will collect the same municipal tax revenue for the 2013 tax year as it did in the 2012 tax year on properties which existed in 2012.
- The residential property tax class has experienced varying market value changes due to factors such as location influences, residence type, size, and as such, individual properties will experience differing increases or decreases in taxes.
- The other-residential property class has experienced differing market value changes due to variations in 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 sales information, 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 2013 will increase relative to 2012 as a result of new construction growth being taxed for the first time in the 2013 taxation year. In establishing municipal tax rates for the 2013 Property Tax Rate Bylaw, Administration has used the "tax revenue neutral plus new construction growth" approach for all property classes.

Since Council approval of the 2013 Operating Budget in late 2012, property taxation revenue estimates for the 2013 taxation year based on tax revenue neutral plus new construction growth approach have been exceeded.

For more information see Attachment 2 – 2013 Property Tax Rate Bylaw Questions and Answers

Budget/Financial Implications:

The 2013 property tax revenue budget was determined based on property tax revenue neutral methodology for all property classes (properties existing in 2012), with additional property tax revenue budgeted for estimated new construction growth. At the time of developing the 2013 budget in the fall of 2012, property tax revenue from new construction growth was estimated at \$42,612,294. Property tax revenue from new growth is now estimated at \$59,485,155, resulting in an increase of \$16,872,861 from the approved 2013 Operating budget.

Assessment notices were sent out on March 1, 2013 and the deadline for assessment complaints is April 30, 2013. A better estimate of potential assessment roll and the resulting property tax revenue impacts cannot be determined until the deadline has passed.

Rationale for Recommendations:

The proposed property tax rates are consistent with the previously adopted tax revenue neutral plus new construction growth strategy proposed in the 2012-2014 fiscal management strategy. The previously adopted strategy, based on current conditions and assumptions will maintain uncommitted fiscal reserves within recommended levels.

The 2013 – 2015 Fiscal Management Strategy update has also validated that the best course of action is to proceed with the “property tax revenue neutral plus new construction growth” approach and continue to re-prioritize capital projects to match available funding.

The budget does not include 11 projects identified as Alternative Capital Financing (ACF) in the 2013 Approved Capital Budget as well as unfunded capital projects of about \$590M in the 2013-2018 Capital Plan.

Attachments:

1. Bylaw No. 13/016 – 2013 Property Tax Bylaw
2. 2013 Property Tax Rate Bylaw Questions and Answers.

BYLAW NO. 13/016**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 2013 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 establish guidelines for the setting of tax rates;

WHEREAS operating expenditures for the Regional Municipality of Wood Buffalo in the 2013 fiscal year total \$659,662,707;

WHEREAS Local Improvement Program levies total \$369,700;

WHEREAS operating revenues for the Regional Municipality of Wood Buffalo from sources other than taxation levies total \$106,583,158;

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

(i)	for residential and farm land	\$ 28,066,036.52
(ii)	for non-residential	\$ 28,705,046.36

WHEREAS the Fort McMurray Roman Catholic Separate School District # 32 (R.C.S.S.D) has made the following requisitions to the Regional Municipality of Wood Buffalo, namely:

(i)	for residential and farmland	\$ 1,327,334.70
(ii)	for non-residential	\$ 193,380.65

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

(i)	for all property types	\$ 0
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WHEREAS the Rotary House Senior's Lodge has made the following requisition to the Regional Municipality of Wood Buffalo, namely:

(i)	for all property types	\$ 1,439,400.00
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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 first 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 2013 are estimated to be:

MUNICIPAL PURPOSES

\$563,541,119

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 \$29,019,551,108;

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 \$17,025,400,187;

AND WHEREAS it is deemed necessary to impose several rates of taxation for the 2013, 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. The Director of Assessment and Taxation is authorized and required to levy the following rates of taxation 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	0.0020009
- Non-Residential	0.0034599
- Fort McMurray R.C.S.S.D. # 32	
- Residential and Farmland	0.0020009
- Non-Residential	0.0034599

SENIORS' FACILITIES

- Ayabaskaw Home	0
- Rotary House	0.0000314

MUNICIPAL PURPOSES - RURAL SERVICE AREA

- Residential and Farmland	0.0012572
- Non-Residential	0.0180904
- Machinery and Equipment	0.0180904

MUNICIPAL PURPOSES - URBAN SERVICE AREA

- Residential and Farmland	0.0023015
- Other Residential	0.0056597
- Non-Residential	0.0046237
- Machinery and Equipment	0.0046237

2. This Bylaw shall be passed and become effective for 2013 taxation when it receives third reading and is signed by the Mayor and Chief Legislative Officer.

READ a first time this _____ day of _____, A.D. 2013

READ a second time this _____ day of _____, A.D. 2013

READ a third and final time this _____ day of _____, A.D. 2013

SIGNED and PASSED this _____ day of _____, A.D. 2013

Mayor

Chief Legislative Officer



2013 Property Tax Rate Bylaw Questions and Answers

What do we mean by “Tax Revenue Neutral”?

Property taxes’ remaining tax revenue neutral simply means that the inflationary aspects of the real estate market have been factored out of the mill rate calculation and as a result the Municipality will collect the same tax revenue for the 2013 tax year as it did in the 2012 tax year on properties which existed in 2012. In reference to the recommended 2013 Tax Rate Bylaw, residential, other residential and non-residential properties are recommended to remain tax revenue neutral. Assessed values in the residential property tax class, as an example, experienced differing market value changes due to market influences. Although the Municipality is collecting the same tax revenue in 2013 from all classes of properties “which existed in 2012”, 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 construction being taxed for the first time in the 2013 taxation year.

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

As of 2012 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 urban service area compare to municipal non-residential taxes in other urban centers with a population of 50,000 or greater?

As of 2012 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 2013 Provincial Education property requisition and resulting school taxes for both non-residential and residential properties has increased as a result of the requisition cap being removed. For the average residential home, the 2013 school tax increase is 42.9% which translates into a \$408 increase.

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

The municipality currently has a strong financial position. Additional funding may be required in the medium term for capital projects. Administration is currently evaluating optimal financing and will make recommendations to Council in due course.

Subject: User Fees and Charges Policy- FIN-030**APPROVALS:**

Kola Oladimeji, Director
Elsie Hutton, Chief Financial Officer
Glen Laubenstein, Chief Administrative Officer

Administrative Recommendations:

1. THAT Community Services User Fee Policy - FIN-110, be rescinded.
2. THAT amended Rate and Charges Policy - FIN-030, dated October 9, 2012, be approved.

Summary:

The Regional Municipality of Wood Buffalo uses fees and charges to fund the provision of goods and services. A user fee is imposed to regulate an activity and result in the purchase of a privilege or authorization to engage in a certain activity while a charge is a payment for goods or services such as water, wastewater, transit and other recreational activities.

Background:

On November 5, 1985, Council approved the Rate and Fee Charges Policy- FIN-030. A separate policy, Community Services User Fee Policy - FIN-110, was approved on November 13, 2007 addressing recreation user fees within the Urban Service Area. The proposed amended Rate and Charges Policy - FIN-030 will consolidate all municipal user fees and charges into a single policy.

As part of the 2012 work plan, Administration undertook a comprehensive user fee study. This study included all goods and services offered by the municipality except utilities. The process included inventorying of current user fees and charges policies or bylaws in place as well as user fees and charges currently charged by departments. Cost of providing the goods and services were matched to revenue being raised from the said goods and services. A fitting policy framework is now required to guide the next stage of the review where departments will set user fees and charges at levels that fit the associated policy as part of the annual budget development process.

The most efficient use of municipal resources is achieved if user fees and charges are priced at levels related to the cost of producing the good or service. In some instances, user fees and charges recover 100 percent of the cost while others are set at levels above or below cost due to policy or legal restrictions.

The proposed policy amendment uses the cost of producing a good or service as the basis for setting price level. The level of cost recovery for each good or service becomes a policy

variable. User fees and charges will be reviewed annually, as part of the budget development process, to incorporate the impact of inflation, other cost increases and competition.

Budget/Financial Implications:

The proposed policy amendment will provide a framework for administration to review user fees and charges and set appropriate cost recovery levels during the annual budget development process.

Rationale for Recommendation:

The recommended amendments to Rate and Charges Policy - FIN-030 will provide an efficient review process for pricing of goods and services that is aligned to the annual budget process and captures the impact of cost changes and other market forces in a timely fashion.

Attachment:

1. User Fees and Charges Policy - FIN-030

Council Policy

Policy Name: User Fees and Charges
Department Name: Financial Services
Policy No.: FIN-030
Effective Date: April 23, 2013

Review Date: April 23, 2017

STATEMENT:

The Regional Municipality of Wood Buffalo (the “municipality”) will impose user fees and charges to recover full costs or a percentage thereof where it is determined that a service, good or use of Municipal facilities provides direct benefits to identifiable individuals, groups of individuals or businesses, beyond those that accrue to the general public.

PURPOSE AND OBJECTIVE:

The purpose of this Policy is to:

1. Provide a decision-making framework regarding pricing of user fees and charges,
2. Lead to a consistent and transparent process of establishing, evaluating and approving imposition of user fees and charges,
3. Support community priorities.

PROCEDURES:

1. Definitions

- 1.1. Charge – A Direct cost to purchase a right to engage in a certain activity or ownership. This may also refer to discourage a certain activity.
- 1.2. Mixed Benefit – This is a benefit that accrues to the general public as well as specific individuals, group or businesses.
- 1.3. Private Benefit – This is a benefit that accrues to specific individuals, groups or businesses. It is possible to prevent someone from accessing this benefit.
- 1.4. Public Benefit – This is a benefit that accrues to the general public.
- 1.5. User Fee – A fee charged for the use or access to a municipal facility or service.

2. Responsibilities

- 2.1. Council to:
 - 2.1.1. Approve the policy.

2.2. Chief Administrative Officer (CAO) to:

2.2.1. Implement this policy.

3. Imposing User Fees and Charges

3.1. Full Cost Recovery:

Where it is determined that a service or good or access to a facility provided by the Regional Municipality of Wood Buffalo provides a direct benefit to individuals, group of individuals or businesses, a user fee or charge will be imposed to recover full cost of providing the service, good or access to facility.

3.2. Partial Cost Recovery:

Where it is determined that a service or good or access to a facility provided by the Regional Municipality of Wood Buffalo provides a direct benefit to individuals, groups of individuals or businesses but also results in benefits to the general public, such will be partially funded by means of a public subsidy from general property tax revenue.

4. Full Service, Good or Amenity Cost

The full cost of providing each service, good or facility will be determined as the starting point for setting the user fee or charge, regardless of whether the full cost will be recovered. This basis will be reviewed at least annually as part of the budget development process to confirm that it continues to be accurate.

5. Determination of Full Service, Good or Facility Cost

Full cost of a service, good or facility shall include the direct costs and indirect costs, including operations, maintenance and overhead, of providing the service or activity; and the applicable portion of capital cost to replace assets utilized to provide the service or activity.

6. Subsidies, Waivers and Exemptions

Where less than the full cost of providing a service, good or amenity is to be collected, the unfunded cost of providing the same shall be subsidized by general revenue. The reasons for the subsidy or waiver shall be provided as basis for seeking Council approval. The request will include conditions and criteria for awarding the subsidy or waiver or exemption.

7. Annual Inflationary Adjustment

Annual inflationary adjustments to user fees and charges will be adjusted as part of the budget development process. Authority is delegated to the CAO or designates to determine the annual inflationary adjustment to each user fee or charge based on the projected rate of inflation or applicable index for the upcoming year.

8. Approval of User Fee or Charge

All user fees and charges will be approved by Council through the use of resolutions and/or bylaws where applicable, as part of the annual budget development and approval process.

9. Benefit Pricing and Funding Philosophy

The following are desirable regarding benefit pricing and funding:

- 9.1. Mixed benefit: To be funded through a mix of user fees and charges and general revenue.
- 9.2. Private benefit: To be funded through user fees and charges.
- 9.3. Public benefit: To be funded through general revenue.

APPROVAL, MANAGEMENT AND REFERENCES:

This policy shall be reviewed in (4) years from its effective date to determine its effectiveness and appropriateness. This policy may be assessed before that time as necessary to reflect organizational change.

Approving Authority:	Council
Approval Date:	November 5, 1985
Revision Approval Dates:	November 5, 1985, June 22, 1993
Review Due:	2017
Policy Manager:	Chief Financial Officer
Department Contact:	Director of Finance
Legal References:	
Cross References:	

Mayor

Chief Legislative Officer

Date

Subject: Sublease - Displaced Not-for-Profit Organizations**APPROVALS:**

Marcel Ulliac, Director
Sudhir Sandhu, Executive Director
Glen Laubenstein, Chief Administrative Officer

Administrative Recommendations:

THAT displaced Not-for-Profit organizations identified in Attachment 1 be granted a below-market rent rate office space sublease in accordance with the terms and conditions outlined in Attachment 1.

THAT the provisions of Attachments 1 (Summary Sublease Terms and Conditions) and Attachments 2 and 3 (Proposed Sublease Floor Plans) remain confidential pursuant to sections 16 and 25 of the Freedom of Information and Protection of Privacy Act, R.S.A., 2000 c. F-25, as amended.

Summary:

The Municipality will be purchasing a commercial building located in the lower town site. The subject property is required in order to facilitate development of one of the City Centre Redevelopment catalyst projects.

As part of the acquisition, the Municipality must address the existing tenants' interests. As such, the Municipality has made commercially reasonable efforts to relocate the existing not-for-profit tenants to other locations in the Municipality. However, due to the limited availability of economically viable private sector held office space, the Municipality proposes to sub-lease space to the not-for-profit organizations within office space that is currently leased by the Municipality.

Background:

The existing not-for-profit organizations located in the commercial building are considered to be key service providers that contribute to the overall health, social, and well being of Wood Buffalo residents.

Delivery of the social programs and services provided by these not-for-profit organizations are typically supported through limited government funding and/or volunteer fund raising efforts with limited capital for administrative overhead and occupancy costs. As such they typically occupy the minimum amount of office space necessary as a way in which to keep their occupancy costs down.

The not-for-profit organizations in the commercial building have occupied space ranging from 600 to 2074 square feet each. The limited amount of space occupied by each of the not-for-profit

organizations is not economical from a commercial renter's perspective; as such securing lease space is a challenge for non profit organizations, especially in a competitive market such as Fort McMurray.

As tenants of the commercial building, the not-for-profit organizations have all benefited from low rents which have allowed them to sustain their operations.

The Municipality currently leases office space that is available as a result of a recent office space consolidation which could accommodate the displaced not-for-profit organizations. Therefore, by accommodating sub-leases to the not-for-profit organizations, it will allow for effective use of the office space and the Municipality will realize revenue to off-set the rental expenses which it will incur over the term of the head lease.

In the interest of sustaining the existence and operations of the not-for-profit organizations, administration is proposing to sublease office space to them at the same rate that they have been paying in their current location.

The proposed sublease terms will provide each of the not-for-profit organizations sufficient time in which to find suitable alternative locations in the long term.

Council approval is required in order to sub-lease office space at below- market rental rates.

Budget/Financial Implications:

The Municipality is currently leasing the office space that it proposes to sublease. The sub-lease lease rates charged to the not-for-profit organizations will be the same rates which they've paid for in their current location. Although the sublease rates that will charged to not-for-profit organizations is at below- market rental rates, the Municipality will realize a financial benefit by recovering a portion of its overall head lease cost over the term of the subleases.

Rationale for Recommendation(s):

The not-for-profit organizations are not able to pay the prevailing commercial rental rates Therefore; there is no other suitable and affordable commercial office space available to which the not-for-profit organizations could relocate.

The not-for-profit organizations cannot afford to realize an increase in their rental rates from what they have been paying in their current location; thus the Municipality is not able to charge them the full rental rate which it pays under its lease agreement.

The programs and services provided by the not-for-profit organizations that will be displaced from the commercial building contribute to the overall health, social, and well being of Wood Buffalo residents, so it is important to maintain their existence. A key element to the not-for-profit organizations sustainability is to maintain an office at low occupancy costs.

Attachments:

1. Summary Current Lease/Proposed Sub-Lease Terms & Conditions (Confidential)
2. Proposed Sublease Floor Plans (Confidential)
3. Proposed Sublease Floor Plan (Confidential)

