

COUNCIL POLICY



Document Name: Fiscal Responsibility

Department Name: Financial Services

Document Number: FIN-160

Effective Date: March 14, 2023

Next Revision Date: March 2026

STRATEGIC PLAN LINKAGE

- Fiscal Management

PURPOSE AND OBJECTIVE

The Regional Municipality of Wood Buffalo (the "Municipality") is committed to being fiscally responsible to taxpayers by following the spending limits as outlined in the Council approved annual budget and ensuring adequate operating and capital stability reserves are maintained.

The purpose of this Council Policy ("Policy") is to:

- Provide governance parameters regarding management of financial resources;
- Maintain operating and capital reserves; and
- Provide a framework that supports long-term financial planning and stability.

GENERAL PRINCIPLES

1. Definitions:

- 1.1. "Capital Budget Allocation" means the rationalization of budgeted capital funds based on approved requirements.
- 1.2. "Capital Budget Reallocation" means the rationalization of adjusting, transferring, or correcting a previously approved allocation of budgeted capital funds.
- 1.3. "Capital Infrastructure Reserve" (CIR) means an established capital reserve used to fund construction or acquisition and life cycle expenditures related to tangible capital assets.
- 1.4. "Emerging Issues Reserve" (EIR) means an established operating reserve used to stabilize operating revenues in response to unanticipated loss of revenue as well

as provide funding flexibility in responding to emergencies, unplanned events, and significant price changes.

- 1.5. "Operating Budget Allocation" means the rationalization of budgeted operating funds based on approved requirements.
- 1.6. "Operating Budget Reallocation" means the rationalization of adjusting, transferring, or correcting a previously approved allocation of budgeted operating funds.
- 1.7. "Scope Change" means a change or series of changes by which the outcome of a project is significantly or tangibly changed, thereby necessitating a budget amendment. Factors contributing to such significant or tangible change include but are not limited to compromised project quality and/or public benefit, project delays, resource diversion or replacement.
- 1.8. "Signing Authority" means the authority to approve and enter into contracts, and approve spending, pursuant to section 3.4 of this Policy and the *Municipal Government Act* (MGA). The Municipality's spending limit is based on the annual Council approved budget.
- 1.9. "Uncommitted Minimum Balance" means, in the case of each of the CIR and the EIR, the minimum amount of funds in each respective reserve.

2. Responsibilities:

2.1. Council to:

- 2.1.1. Approve any amendments to this Policy.

2.2. Chief Administrative Officer to:

- 2.2.1. Support the implementation of this Policy;
- 2.2.2. Support and recommend amendments to this Policy; and
- 2.2.3. Ensure compliance with this Policy.

2.3. Chief Financial Officer (CFO) to:

- 2.3.1. Ensure compliance with this Policy; and
- 2.3.2. Recommend amendments to this Policy.

2.4. Directors to:

- 2.4.1. Comply with this Policy; and
- 2.4.2. Recommend amendments to this Policy to the CFO.

2.5. **Designated Officers:**

- 2.5.1. All designated officers and their delegates are subject to the supervision of and accountable to the CAO.

3. **General Procedures:**

- 3.1 The framework of this Fiscal Responsibility Policy includes:

- 3.1.1. Annual Operating Budget Allocations:

- 3.1.1.1. As defined by the MGA 241(1), Council must adopt an operating budget for each calendar year by January 1 of that calendar year.

- 3.1.2. Operating Budget Reallocations may be authorized provided that:

- 3.1.2.1. The changes will result in a timely and fiscally responsible administrative and service delivery process;
 - 3.1.2.2. Service levels or standards are not reduced or compromised;
 - 3.1.2.3. No new services, programs or projects are undertaken; and
 - 3.1.2.4. The total annual Operating Budget Allocation approved by Council, for the current fiscal year, is not exceeded.

- 3.1.3. Capital Budget Reallocations may be authorized provided that:

- 3.1.3.1. The proposed reallocation supports an efficient administrative and capital project delivery process;
 - 3.1.3.2. The proposed reallocation will not result in the addition or cancellation of a capital project in the current Capital Budget Allocation;
 - 3.1.3.3. The change does not alter the nature and type of capital project or otherwise constitute a Scope Change;
 - 3.1.3.4. Where additional capital funding is requested, funding must come from internal savings found from existing approved capital budget sources, including but not limited to fully tendered projects, other uncommitted sources such as grants and offsite levies, or cash flow management with other capital projects;
 - 3.1.3.5. Where additional capital funding is requested and exceeds funds available from the sources noted in Section 3.1.3.4, Council approval is required prior to using either the Capital Infrastructure Reserve (CIR) or other financing sources;

- 3.1.3.6. In addition to the limitations in Section 3.1.3.5, where an approved Capital Budget Allocation project item exceeds \$1,000,000, additional Capital Budget Reallocation funding must not exceed the lower amount of either 50% of the initial Capital Budget Allocation for such project.
- 3.1.3.7. Allocations in excess of \$5,000,000 require Council approval for additional Capital Budget Reallocation exceeding this limit, however the CAO may authorize increases for extraordinary events/emergencies attributable to *force majeure*.
- 3.1.3.8. Debt and debt service limits previously established by Council are not exceeded.

3.2. Operating Reserve – Emerging Issues Reserve (EIR):

- 3.2.1. An Emerging Issues Reserve (EIR) is established and will be maintained at a sufficient level, as recommended by the CFO, to stabilize operating revenues in response to unanticipated loss of revenue as well as provide funding flexibility in responding to *force majeure events* (i.e. emergencies and unplanned events) and significant inflationary and price changes.
- 3.2.2. The Uncommitted Minimum Balance of the EIR in any year shall not exceed 15% of prior year's audited net property tax revenue, but in any event shall never be less than \$50,000,000.
- 3.2.3. In the event that Council approves spending that will result in an EIR Uncommitted Minimum Balance lower than \$50,000,000, the CAO or designate will recommend a strategy to replenish the EIR in accordance with Section 3.2.2.
- 3.2.4. Council approval is required for any Operating Budget Reallocation from the Emerging Issues Reserve.

3.3. Capital Reserve – Capital Infrastructure Reserve (CIR):

- 3.3.1. A Capital Infrastructure Reserve (CIR) is established and will be maintained at a sufficient level, as recommended by the CFO, to fund construction or acquisition of, and life cycle expenditures related to, tangible capital assets.
- 3.3.2. The CIR shall have an Uncommitted Minimum Balance of not less than \$50,000,000.
- 3.3.3. In the event that Council approves spending that will result in a CIR Uncommitted Minimum Balance lower than \$50,000,000, the CAO or designate will recommend a strategy to replenish the CIR in accordance with Section 3.3.2.

- 3.3.4. Council approval is required for any Capital Budget Reallocation from the Capital Infrastructure Reserve.

3.4. **Signing Authority**

- 3.4.1. The Municipality's spending limit is based on the annual budget approved by Council. In accordance with the *Municipal Government Act* (MGA), Section 213(4), the authority to sign or authorize approval for agreements and commit budgets (acting as a buyer or purchaser) and/or to sign or authorize approval of payments and other negotiable instruments is held by either the chief elected official (i.e. the Mayor) or other person(s) authorized by Council as appointed designated officers pursuant to Section 210(1) of the MGA.
- 3.4.2. The Chief Administrative Officer (CAO) is, pursuant to Section 210(5) of the MGA, entitled to exercise all of the powers, duties and functions of a designated officer under the MGA in the absence of Council appointment.
- 3.4.3. A designated officer may delegate such officer's powers, duties, or functions (including signing or approving authority) in accordance with Section 212 of the MGA.
- 3.4.4. Designated officers and their delegates will adhere to Council's approved budget, subject to variance or adjustments consistent with this Policy.

APPROVAL

This Policy was approved by Council. It will be reviewed not later than its next Revision Date to determine its effectiveness and appropriateness. It may be assessed before that time as necessary.

Sandy Bowman, Mayor

Jade Brown, Chief Legislative Officer

Date

SUPPORTING REFERENCES AND POSITION RESPONSIBLE

Legal References: Municipal Government Act, RSA 2000, c.M-26

Cross References:

Position Responsible: Chief Administrative Officer
Chief Financial Officer

COUNCIL POLICY DETAILS AND REVISION HISTORY

Date	Action	Description
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