



Town of Sundre

FINANCIAL FRAMEWORK

October 2022



TOWN OF SUNDRE FINANCIAL FRAMEWORK

Table of Contents

INTRODUCTION	1
LINK TO OTHER PLANS	1
PURPOSE	2
FINANCIAL PRINCIPLES	2
KEY DOCUMENTS AND DATES	3
BUDGET FACTORS AND GUIDELINES	4
CURRENT TRENDS AND CHALLENGES	4
FINANCIAL PRACTICES	5
ANNUAL PROPERTY TAX RATE DETERMINATION	5
ASSET MANAGEMENT	6
BUDGET SURPLUSES.....	6
CASHFLOW MANAGEMENT	7
COLLABORATION/REGIONALIZATION	8
COMMERCIAL/RESIDENTIAL MUNICIPAL TAX RATE	9
COMMUNITY INPUT.....	9
DONATIONS/CORPORATE CONTRIBUTIONS.....	10
GOVERNMENT GRANTS	10
INFRASTRUCTURE DEFICIT	11
INVESTMENT INCOME	12
LOCAL IMPROVEMENT TAXES.....	13
LONG TERM FINANCIAL COMMITMENTS	13
MUNICIPAL BENCHMARKING	14
NEW DEVELOPMENT AND GROWTH	15
MUNICIPALITY-SUPPLIED PROGRAM & SERVICE CHANGES	16
OPERATING AND CAPITAL INFRASTRUCTURE RESTRICTED SURPLUS ACCOUNTS	16
SERVICE SUSTAINABILITY REVIEW	17
USE OF DEBT	18
USER FEES & CHARGES.....	19
UTILITY RATES & CHARGES	20
SUMMARY	20
GLOSSARY OF TERMS	21
ADDITIONAL DEFINITIONS FOR A BROADER UNDERSTANDING	22

INTRODUCTION

A well-thought out framework of fiscal principles, practices and policies provides an organization with a solid financial base on which to operate, innovate, sustain and thrive.

LINK TO OTHER PLANS

Providing the municipal infrastructure, services, programs and supports that citizens need and expect requires significant planning and integration of various activities, people and systems. There are several levels of planning which occur starting with Council's vision and filtering down to the day-to-day operations in the many municipal functional areas. This Financial Framework integrates with the Strategic Planning, Departmental Planning and Multi-Year Budgeting level of planning and captures a 1 to 10 year timeframe.

Vision: Sundre is a year-round tourism destination with diverse opportunities for individuals and families to connect, live well, and prosper.

Mission: To create innovative opportunities for growth, and enjoyable natural spaces for residents, businesses, and visitors.

Values: Family | Environmental stewardship | Integrity | Transparency | Innovation | Regional partnerships | Active leadership | Creativity | Work/life balance | Community spirit

Slogan: Visit. Live. Explore

Strategic Plan Pillars:

-  Community Development
-  Community Wellness
-  Environmental Stewardship
-  Supportive Infrastructure
-  Sustainable and Responsible Government

Departmental Business Plans

Financial Framework

Multi-Year Budget

Financial Policies

PURPOSE

The Town of Sundre is a strong, close-knit community that has benefitted from past and present Councils, Administrative Leaders and Employees with creativity and dedication to build a municipality with the full service amenities of a larger centre.

With continued development and input from the Town's Council Members and Administration, the principles, practices and policies within this financial framework will guide the Town of Sundre in balancing long-term fiscal accountability with meeting community needs to build a destination which is attractive and prosperous for residents, businesses, visitors and tourists.

FINANCIAL PRINCIPLES

The Town of Sundre has faced a number of challenges in the past and will continue to face new challenges into the future. Some of these include: inconsistent financial decisions, volatility in rate increases, an escalation in funding requests from community groups, unresolved infrastructure deficits, increased decision complexity resulting in delays, and a rise in unplanned expenditures being brought forward for Council decision. Administration and governance structures need to be developed so that the municipal government is ready to meet upcoming challenges as the community and the region continue to change. Town Council along with Administration will be ready to serve their constituents and will be guided by the Pillars of Sustainability and Priorities as outlined in Council's Strategic Plan. Further, Administration will plan and prepare for growth as contemplated in the MDP. To ensure alignment of these Plans, the following financial principles will be followed, as they support the strategic plan pillars and priorities which provide Administration with Council's overarching direction with regard to the fiscal responsibility:

Fiscally Conservative

It is important to achieve value for all monies spent. It is also critical to ensure that services, programs and facility commitments are sustainable now and into the future.

Example: The Town's multi-year budget and capital financing and debt management policies are examples of the practices the Town follows to achieve financial responsibility.

Growth will pay for growth

As a general rule, new development needs to fund the incremental infrastructure and service costs incurred to accommodate growth, though political decisions can cause the Town to veer from this philosophy. This is linked to the concept of user pay in that existing residents of the Town will not be expected to subsidize future growth through tax funded infrastructure supporting new development.

Example: The Town's Master Servicing Study and resulting amendments to the Off-site Levy Bylaw which allocates growth infrastructure costs directly to new development areas based on benefitting characteristics

Innovation

In order to improve Sundre's sustainability, the Town has started to incorporate a continuous improvement philosophy and will embrace this principle in everything that is done. By harnessing this cultural advantage and innovative spirit, the Town will develop strong solutions for intentional excellence.

Service Levels will be determined by the community

In a more fiscally restrained and slow economic environment, it is important to achieve a balance between customers' expectations for services and the taxpayers' ability to pay for these services. A strong understanding of the difficulty in covering costs of maintaining existing Town infrastructure and preserving current service levels while providing for program and service enhancements needs to be communicated to the community so it is clear how property taxes and user fees are impacted with choices on service levels.

Example: The Town is working to further develop past efforts of providing citizens with an opportunity to provide input into determination of service levels such as snow clearing expectations, response time to complaints, etc.

Sustainability

Through planning over a longer term, the Town may be developed in a healthy manner. The foundation being built upon the seven Pillars of Sustainability that include Sustainable Governance, Service Delivery, Community Well-Being, Financial Stability, Infrastructure, Regional Cooperation, and Risk Management. Developing longer term financial plans can lend more stability to revenue requirements and thus level out tax rates over the period, providing more sustainability.

Example: This Financial Framework and the Master Servicing Study are examples of tools the Town is employing to create a more sustainable organization.

User Pay

The Town will link, where reasonable, how much a person pays for a public good or service to how much they utilize or consume that good or service.

Example: Fees charged to use the Town's various facilities (e.g. arena, club room, gym, ball diamonds, campground).

Using Holistic Views of the Community in Order to Create a Better Tomorrow

Financial planning requires consideration for the big picture and the inter-connectedness of decisions and actions within each financial planning component. It is when all the pieces fit together cohesively, that the greatest synergies are achieved.

Example: Inter-municipal collaboration and regionalization are examples of the Town taking a more holistic view of what is required for the optimal Town in the future.

KEY DOCUMENTS AND DATES

The Financial Framework will be reviewed by Administration and accepted for information by Council prior to each Multi-Year Budget cycle.

See *Multi-Year Budget Timeline* for key dates relevant to this framework.

Key Documents related to Financial Planning and Budgeting include:

Budget Instructions Memo / Budget Change Request

Capital Financing and Debt Management Policy
Multi-year Business Planning and Budgeting Policy
Restricted Surplus Account Policy
*Purchasing Policy**
*Investments Policy**
Public Engagement Policy

*depicts policies which are currently under development

BUDGET FACTORS AND GUIDELINES

Budget Factors will vary from department to department as will the degree to which each factor impacts the department's budget. The following are some common factors that may affect the departmental budgets. It is important to identify the assumptions that have been made in development of the operating budgets for the Town:

- Assessment growth
- Demographics
- Economic trends
- Inflation and market conditions
- Policy decisions
- Population
- Provincial and Federal Grant Funding
- Social trends
- Sources of funding
- Taxation issues
- Technological developments

Future Efforts

Administration will develop a chart of base assumptions that will assist departments in the development of their respective budgets. This guide will include assumptions such as inflation rates, expected government grant levels, user fee rate changes, impact of population growth on revenues and expenses, etc. which can be consistently applied throughout the organization in preparation of the multi-year budget.

CURRENT TRENDS AND CHALLENGES

- Stretched resources: Staff wear multiple hats with not enough depth at times to cover everything and limited time for significant projects.
- Business Analytics: The stress placed on each department and the entire organization continues to rise with higher expectations from citizens and more demands for open government and transparency.
- The market and economy are under significant pressure which means that we need to be more flexible.

- The organization is in a state of continuous development and improvement. While this can be exciting we need to ensure that we are managing the challenges effectively so that we are successful. With limited and stretched resources, change management is often neglected.
- Changing structure of cost responsibility from Provincial and Federal Governments, such as policing and health care funding.
- Changing government policies in areas such as climate change mitigation and pandemic responses.

FINANCIAL PRACTICES

ANNUAL PROPERTY TAX RATE DETERMINATION

Background

Property taxes are calculated by multiplying the assessed property value by the property tax rate. The general tax adjustment is the increase or decrease in taxes paid by the average property owner. In situations where a property's assessment increased more than the average will result in a tax increase greater than the general tax adjustment; when a property's assessment increase is below the average rate the adjustment will be below the general tax adjustment.

Alignment with Financial Principles

All the principles have a linkage to the annual property tax rate determination but Growth will pay for Growth, User Pay and Community Service Level Determination have the closest association.

Current Practice

The community is negative towards tax increases but understand the need for funding to support increased service levels and amenities. There needs to be public education to communicate the connection between service levels and costs.

The focus is based on a need to determine tax funding requirement to maintain quality service levels, improve services where there is a community desire and add programs, services and facilities to meet the expectations of the residents and businesses.

The province's education tax is collected by the Town but the Town does not retain any portion of these tax funds. The education tax rate is not considered when Council sets the municipal tax rate. The Town acknowledges its role in collection but not determination of the education tax rate. Similarly, changes to utility rates imposed by the Town will not impact the tax rate set.

Future Efforts

Administration recognizes that Town tax rates reflect the service level expectations of the community and future efforts will focus on finding further efficiencies, planning for and seeking out development opportunities. There will be a more disciplined approach to budgeting, implementing more cost estimation focus than incremental increases to prior year budgets.

ASSET MANAGEMENT

Background

Asset Management is an integrated business approach to effectively manage existing and new municipal infrastructure to decrease costs, increase useful lives, manage risk and provide safe and reliable levels of services and programs to the community. Cooperative efforts from planning, finance, engineering, risk management and operations are required for this initiative.

Alignment with Financial Principles

Asset Management links to the principles of Using Holistic Views of the Community, Sustainability and Operating in a Fiscally Conservative Manner.

Current Practice

Currently, the Town has a complete tangible capital asset listing with historic values, expected lifespan and some asset characteristics. An ad hoc, manual system of evaluating condition assessment of municipal assets is presently employed. A Master Servicing Study is underway which will provide future infrastructure needs as well as completing documentation existing infrastructure specifications.

The Town will employ ongoing maintenance and life-cycling of assets and this information will be integrated with the operating budget and capital plan. Taxes will fund the ongoing maintenance of assets, while restricted surplus and grant funds will be the source of funding for capital life-cycling. The emphasis will be on determining the 25-year life-cycle need and identifying the funding source for this need.

Public input for projects is obtained on a project by project basis depending on the impact the project has on the community and the interest the public has.

Future Efforts

Using the Master Servicing Study, as well as updated GIS technology and partners, the Town will be able to create a more robust and accurate asset management system. Further, working with developers through the development agreements, the Town will collect and categorize the data related to contributed assets. As the Town grows, there may be a need for a more sophisticated asset management system.

There will be a stricter requirement for a business case for new Town-initiated assets (not related to replacement of existing assets). The business case will not only consider the capital requirement but also the ongoing operational impacts (ie: maintenance, staffing requirements, etc.) of an asset with the funding source of both identified.

BUDGET SURPLUSES

Background

Municipal governments are mandated to prepare a balanced budget. A surplus realized is generated as a result of more efficient operations, external factors (such as weather conditions) that reduce the need for certain services (ie: snow removal), reduction in service levels provided or a more efficient approach to providing services.

Alignment with Financial Principles

Using Holistic Views of the Community in Order to Create a Better Tomorrow and the Town will operate in a Fiscally Conservative Manner are the principles most applicable to Budget Surpluses.

Current Practice

The Multi-Year Budget and Restricted Surplus Account Policies outlines a new approach to the annual surpluses, providing the departments with more influence over the amount of surplus that is generated by efficient operations or external factors, over the duration of the multi-year budget.

Budget surpluses in other areas are also retained as operating restricted surplus funds (i.e. snow removal/road maintenance, development services) to stabilize operating expenses in future years and ensure unspent funds for these specific purposes do not flow through to general surplus.

The Restricted Surplus Account Policy establishes targets and provides guidance for the Stabilization Restricted Surplus Accounts.

Future Efforts

The municipal surplus can be broken down into certain specific components which enables the Town to establish policy on how these components are dealt with if they wish.

For example, a portion of the surplus can be determined to originate directly from new assessment growth. The Town currently budgets very conservatively for new assessment growth – tax revenue collected from new properties developed in the Town. The funds related to this new growth are identifiable as a separate component of the annual surplus and could be directed to a specific purpose through policy.

Some other examples are investment income surplus and personnel-related surplus.

Aside from the specific allocation of surplus components suggested above, any budget surpluses that are not directed to a specific purpose or which cannot be attributed to a specific component of the surplus will be retained in a General Stabilization Restricted Surplus Account and fund non-recurring (one-time) expenditures at the discretion of Council.

CASHFLOW MANAGEMENT

Background

Generally, the Town has been able to manage its cash flow with its healthy balance of investment funds.

Alignment with Financial Principles

The Town will operate in a Fiscally Conservative Manner and Sustainability are the most appropriate principles for cash flow management.

Current Practice

Currently, the Town's tax receipts collected during the year are held in the bank account which fluctuates to manage operating needs.

Thirty and 90-day cashable Guaranteed Investment Certificates (GIC's) have been used to manage the Town's excess funds.

Various tools and programs have helped with smoothing the inherent fluctuation common to municipal government – on the revenue side, the Tax Instalment Payment Program to collect taxes throughout the year, and on the expense side, quarterly school requisitions, monthly contract fees where possible/feasible (as opposed to annual), etc.

Future Efforts

Administration is working towards a more formal cash flow management policy and system to ensure operating funds are not jeopardized by capital funding obligations. This will include more active cash flow management of tax receipts collected during the year which will be invested and drawn down to fund the annual budget as required, utilizing a wider variety of allowable investment products outside of GIC's.

COLLABORATION/REGIONALIZATION

Background

Municipal Affairs through revisions to the *Municipal Government Act* are encouraging and even legislating changes in the relationships between and among municipal governments. Strengthening municipal cooperation will be key to municipalities obtaining funding and endorsement from the Provincial government in the coming years.

Collaborating with stakeholders to share responsibility and take advantage of diverse strengths of various partners is key to business success.

Alignment with Financial Principles

Using Holistic Views of the Community in Order to Create a Better Tomorrow, Sustainability and Innovation are the principles most closely aligned with collaboration and regionalization.

Current Practice

The Town has collaborative partnerships with Mountain View County for fire services and recreation and culture. A mutual aid agreement is in place with Mountain View County, Towns of Didsbury, Olds, Carstairs, Cremona for emergency services. These projects are funded by the Regional Collaboration Grant. The Town also works with Alberta Transportation on certain road projects where collaboration is appropriate.

Future Efforts

The revisions to the *Municipal Government Act* are placing a greater emphasis on regional collaboration and cooperation which will affect the Town's relationship with Mountain View County and other neighbouring municipalities.

COMMERCIAL/RESIDENTIAL MUNICIPAL TAX RATE

Background

Non-residential (commercial) property tax rates are not the same as residential property tax rates. This is common across municipalities in Alberta and Canada. Most municipal non-residential tax rates are higher than the municipal residential tax rates. There are various reasons for this, including proportion of non-residential to residential assessment base or the cost to service non-residential vs. residential properties.

Alignment with Financial Principles

User Pay and Sustainability are the principles most closely aligned with the non-residential tax rate.

Current Practice

While the *Municipal Government Act* (MGA) has imposed a ceiling for non-residential tax rates of 5 times the residential tax rate, the Town currently has a non-residential tax rate that is approximately 1.48 times the residential tax rate (for example: 2022 municipal residential tax rate is 7.9918 and the non-residential tax rate is 11.7933; the non-residential rate is 48% greater than the residential rate).

The Town has implemented streamlined planning and development processes and offer developers options for payment of offsite levies, facilitating expedience and removing barriers for development.

Future Efforts

The Town will evaluate the non-residential tax rate with its close competitors and ensure the Town remains attractive for industrial and commercial development.

Other barrier-removing initiatives will be considered to encourage non-residential development wherever practical and reasonable.

COMMUNITY INPUT

Background

Alberta Regulation 193/2017 - Public Participation Policy Regulation became mandatory in July of 2018 and outlines the requirements of the municipality's Public Participation Policy. The Town of Sundre has adopted a Public Participation Policy which received an outstanding score in its Municipal Accountability Program review. The Town holds Community Input and Participation high on its list of priorities.

Alignment with Financial Principles

Holistic Views of the Community, Service Level Determination, and User Pay principles are all associated with good community input practices. The Town will continue to create opportunities for municipal stakeholders who are affected by a decision to have a voice and to participate in the decision-making process.

Current Practice

While the Town of Sundre uses 5 levels of participation and engagement, including inform, consult, involve, collaborate and empower, as appropriate for the situation. A Citizen Communication and Request

for Service Form is available on the Town's website making it easy for residents to communicate with the municipality.

Future Efforts

The Town will work to improve the transparency of the municipality's financial information, transactions, reporting and Council spending. Additional efforts will be made to educate the public on municipal legislative practices, encourage involvement in municipal decision-making and provide relevant information to the public. With an open-door policy, the residents are always welcome to meet with administration to make inquiries, discuss any concerns or offer suggestions.

DONATIONS/CORPORATE CONTRIBUTIONS

Background

The Town has not obtained significant corporate or donor support for projects/facilities in the past. However, it is important for the Town's sustainability that corporate and donor support supplement taxes for certain types of infrastructure and expenses.

Alignment with Financial Principles

Sustainability and the Town will operate in a Fiscally Conservative Manner are the principles that align with donation and corporate contributions.

Current Practice

The Town accepts donations and corporate contributions that are offered to the Town for specific projects; however, there is not a formal policy or strategy for integrating donations and corporate contributions with the Town's financial funding of projects.

Future Efforts

The Town is considering development of a policy on sponsorship and gift acceptance. A more proactive approach could be taken to seeking donations and sponsorships. The intention of the policy will also be to achieve consistency and formality in the acceptance and management of donations and contributions from external parties and related naming rights where appropriate. Continued efforts will be undertaken to ensure compliance with ethical fundraising principles and practices.

GOVERNMENT GRANTS

Background

Government grants have been reduced and consolidated in recent years. Ongoing grants that have multi-year committed funds include the Municipal Sustainability Initiative (MSI) which will be replaced by the Local Government Fiscal Framework Act (LGFF) in 2024, the Canada Community Building Fund (CCBF) formerly the Federal Gas Tax Fund, and the Regional Collaboration Program.

Alignment with Financial Principles

Sustainability and The Town will operate in a Fiscally Conservative Manner are the principles most applicable to Government Grants.

Current Practice

The operating portion of Municipal Sustainability Initiative fund is available on an annual basis . There are a number of grants that are announced by the provincial and federal government on an irregular basis, but these grants have an application process with no guarantee of receipt.

The Town employs a 0.25 - 0.5 Fulltime Equivalent staff member dedicated to attaining and managing grants on behalf of the municipality and assisting community organizations with information.

Future Efforts

The Town will work to maximize available operating and capital grants with an emphasis of using conditional operating grants for the specified existing programs, and unconditional operating and capital grants for new services and infrastructure. It is important to be mindful that when grant funds are used to build infrastructure, the municipality must determine an adequate funding source to operate, maintain and replace the infrastructure.

Further, the Town will analyze grant trending which will inform the determination of funding for replacement of infrastructure assets. This is discussed under the Infrastructure Deficit section.

INFRASTRUCTURE DEFICIT

Background:

Past practices of municipalities throughout Canada have resulted in declining infrastructure condition, insufficient investment in new infrastructure and a significant deficiency in funding available to municipalities to replace existing aging infrastructure. According to the Canadian Infrastructure Report Card, “Almost 60% of Canada’s core public infrastructure is owned and maintained by municipal governments.” And “One-third of our municipal infrastructure is in fair, poor or very poor condition, increasing the risk of service disruption.”¹

Alignment with Financial Principles

Using Holistic Views of the Community in Order to Create a Better Tomorrow, Sustainability and User Pay are the principles most closely aligned to Infrastructure deficit.

Current Practice

It has been estimated that the Town owns roughly \$40 million worth of municipal infrastructure. The municipal infrastructure that the Town is responsible for includes gas, water, sewer, storm drainage systems, roadways, recreation and park facilities, municipal buildings, and sidewalks, etc. Based on an average life expectancy of 25 years for all assets, the Town would need to reinvest \$1.5 to \$2 million dollars annually to replace aging municipal infrastructure (not including inflation or increases in replacement costs).

The Town currently has \$5.2 million in restricted surplus funds with annual budgeted contributions of approximately \$800,000. The Town is currently eligible for government grant funding to spend on replacing municipal infrastructure and uses a portion of its allotment for this purpose. However, there is no guarantee these grant funds will continue indefinitely. Based on the current practices and not taking grant funds into consideration, the Town has an annual infrastructure funding deficit of approximately

¹ The Canadian Infrastructure Report Card © Informing the Future-Key Messages, 2016

\$1.0 million and a total municipal infrastructure deficit of roughly \$5 to \$10 million, based on anticipated capital replacement projects.

Future Efforts

There is a great opportunity, while the Town is still small in size, to develop a strategy for funding an appropriate level of infrastructure replacement.

While achieving full funding of the replacement of tangible capital assets is unrealistic, the Town will develop a policy which looks at 10-year increments, taking into account the trending levels of grant funding first and then sharing the obligation for the remaining replacement costs between current and future generations. This means that portion of the replacement costs net of grant funding will be funded by past (restricted surplus funds) and current taxpayers, while the remainder will be financed with debt, to the extent that the Town has the debt capacity to accommodate this. The debt financed portion is then borne by the future taxpayers.

Infrastructure funding requirements will be reviewed and recalculated on an annual basis as part of the Financial Plan process.

The Town is in the process of completing a master servicing study which will identify existing infrastructure replacement timelines and future infrastructure needs.

INVESTMENT INCOME

Background:

The Town invests funds that are not required for current financial requirements in low risk (principal-protected) investments as per the MGA. Investment income supplements the contributions made by taxpayers. A number of factors impact the investment earnings.

Alignment with Financial Principles

The principle most closely aligned with investment income is the Town will operate in a Fiscally Conservative Manner.

Current Practice

In accordance with the MGA, interest income earned on capital off-site levy Restricted Surplus balances will be reinvested back into the off-site levy Restricted Surplus accounts. Interest earned on investments is added to the interest-bearing Restricted Surplus Accounts in accordance with the Restricted Surplus Account Policy or per grant funding agreements.

Future Efforts

Funds will be invested to provide an optimal blend of investment return and security while meeting the daily cash flow demands of the municipality.

LOCAL IMPROVEMENT TAXES

Background

When an improvement project is considered to be of greater benefit to an area of the municipality than the whole municipality, a local improvement tax is imposed on the benefitting area property. A group of owners in a municipality may petition a Council for a local improvement. Rehabilitation, replacement or oversizing projects are not typically funded through local improvement taxes.

Alignment with Financial Principles

The Growth Pays for Growth and User Pay principles are most closely aligned with local improvement taxes, as the user benefitting is the party who pays for the service or infrastructure provided.

Current Practice

The Town of Sundre has not used local improvement taxes very extensively in the past and are limited to area specific resident initiated requests.

Future Efforts

This would perhaps be a sensible tool to use for sidewalks and street lighting and potentially for small tot lots in established neighborhoods or other instances of localized needs where the community has brought forth the request.

LONG TERM FINANCIAL COMMITMENTS

Background

The Town has several long term financial commitments, including Mountain View Seniors Housing, Soneera wastewater treatment facility operation and various lease commitments.

Alignment with Financial Principles

Using Holistic Views of the Community to consider the bigger picture and planning over the longer term to ensure Sustainability are the financial principles most tightly tied to long term financial commitments.

Current Practice

Funding of the Town's long term commitments is primarily tax-based. These longer term commitments have important consideration to the Town's current operations. While the Town may be restricted by some of its obligations, the long term benefits are deemed to outweigh these limitations.

The absence of a long term waste water management solution had threatened the ability for the Town to continue with development. Options were evaluated and a partnership with Soneera, as well as the Provincial Government, has created a pilot project, which is anticipated to turn into a long-term solution.

Future Efforts

The Town is developing stronger procurement policies and practices including compliance with national and international trade agreements, formality around competitive, transparent, fair and consistent purchasing practices, unbudgeted expense policy and lease vs. buy decisions.

MUNICIPAL BENCHMARKING

Background

Municipalities in Alberta do not have significant benchmarking data on which to compare performance. It is difficult to compare local government performance in an environment where there is such diversity of communities. Performance measurement is a key component to public perception and research confirms that measuring performance drives higher results.

The Province of Alberta has recently launched the Municipal Measurement Index on the Alberta.ca website which compiles annually submitted financial and statistical information for comparative purposes. While there are only currently 8 metrics to compare, the indication is the website will be expanded in the future.

Alignment with Financial Principles

Linked to many of the financial principles, benchmarking provides the Town with important data which will propel the organization to its full potential.

Current Practice

The Town uses two sets of comparatives – one which includes a set of municipalities which have similar characteristics to Sundre – all towns in Alberta between 2,000 – 3,500 population or with municipally-owned gas services;

and one which includes a set of municipalities which are in the local region:

- Mountain View County
- Town of Didsbury
- Town of Olds
- Town of Carstairs
- Town of Innisfail

Currently, data measurements are provided in response to requests and a little more formally for gas utility rate and human resources data.

Future Efforts

It has been noted that it is important to achieve a level of consistency to gain integrity on the measures used. Future efforts will address this goal through the development of a comparative communities policy.

The Town will determine a collection of comparative measures which will be reported in its annual report.

Trend Analysis for consideration:

- The Municipality may review tax billings and utility rates in comparison to neighboring and similar-sized municipalities in Alberta.
- The Municipality may review non-residential tax base in relation to total tax base ratios for similar-sized or regionally located municipalities.

- The Municipality may review fixed costs increase trends (ie: insurance, power, etc.) and compare these to inflation or Consumer Price Index (CPI) indicators; the Town may wish to consider municipal best practices in managing these costs.
- The Town of Sundre uses the most recent annual average Alberta CPI as a benchmark for general cost increase. More specific cost categories may be based on a more appropriate measure.
- For specific cost line items, any contractual or known influences on costs for the budget period are considered in addition to the CPI.
- Future efforts will also include further development of service levels within the Town and an internal trend analysis to drive continuous improvement. External comparisons may be made where relevant comparators are available.

NEW DEVELOPMENT AND GROWTH

Background

New residential and commercial development has an effect on the Town's operating budget. New development generates additional property tax revenues, but also increases the cost of providing municipal services. The Town's philosophy has been that growth pays for growth.

Alignment with Financial Principles

Growth will Pay for Growth is the financial principle most closely aligned with new development and growth.

Current Practice

The Town encourages mixed-use development that supports both commercial and residential assessment growth.

No substantial new growth in the Town has occurred over the past several years. To stimulate growth, in the past year, the Town has streamlined the planning and development process to incorporate development-friendly practices such as re-writing the entire land-use bylaw, opening up opportunities for new types of development, and implementing a pre-application meeting between developers and the Town.

Future Efforts

The Town will be re-writing the Offsite Levy Bylaw to reflect all past, current and future projects that benefit from the offsite infrastructure. The Town will strive to generate off-site levy and property tax revenue sufficient to offset the increased service, program and municipal infrastructure costs resulting from new development and ensure that the cost increases are not passed onto the rest of the community.

The Town has acknowledged that non-residential growth is required to balance the Town's tax requirements. Currently, the ratio of residential to non-residential assessment value is at 76.25% residential / 23.75% non-residential. A healthy target for municipalities is an 80/20 split between residential and non-residential assessment and the Town will strive to maintain this ratio.

MUNICIPALITY-SUPPLIED PROGRAM & SERVICE CHANGES

Background

As with most municipalities, there is continuing pressure from Sundre residents to provide new programs and services or expand existing ones. New or expanded programs and services that require ongoing expenditures may be presented as part of the annual operating budget process.

Alignment with Financial Principles

Service Levels Determined by the Community, Sustainability and Using Holistic Views of the Community are all the financial principles that align with new program and service requests.

Current Practice

Currently, the Town has some structure in place but not a formal and consistently followed process for consideration of new programs and service requests. This is becoming more mature with a more structured and regulated capital planning process, the multi-year budgeting policy and process, and the Grants to Organizations policy.

The Strategic Planning workshop, Financial Framework, Financial Policies and Procedures, and Departmental Business Planning lead to a Level of Service document that combines the policies, practices and values to serve as a foundation for a priority-based budgeting system. The outcome of the Level of Service documentation is an inventory to provide clear communication on services provided to our residents. The document will regularly be presented to the public for feedback and input into the current levels of service, and input into amendments to levels of service. The objective is to provide Council with enhanced decision making through effectively connecting the Town's business planning, budgeting, processes and delivery methods, to ensure residents and businesses expectations of services delivered are met. This objective aligns with the Town's continuous improvement model.

Future Efforts

All new programs must be policy-based and aligned with the strategic priorities and municipal development plans of Council. The Town will strive to promote evidence-based decision making when considering new programs and services. In other words, a business case or similar evidence will be required to support a decision to add new programs and/or services. The business case will consider initial capital costs, ongoing operational resources required to sustain the program/service and inter-departmental impact.

Directors and Managers shall provide a detailed risk analysis for proposed new programs or services. Funding for new programs and services that do not have a new revenue source could require a property tax increase and/or a reduction in other municipal services.

OPERATING AND CAPITAL INFRASTRUCTURE RESTRICTED SURPLUS ACCOUNTS

Background

The use of restricted surplus funds provides a stable approach to municipal taxation and municipal infrastructure replacement. The amount of funding required for some municipal operating and capital expenditures can vary greatly from one year to the next, depending upon what is constructed or purchased, weather conditions, ability to recruit qualified personnel, availability of contractors, etc.

If taxpayers were taxed each year on exactly how much was spent each year, property tax bills would vary widely from one year to the next. If the community needed to build a new facility and funded it solely through a tax increase in the year of construction, the increased tax burden would be difficult for many property owners.

By saving funds in restricted surplus accounts, the municipality is able to ease fluctuations in property tax rates. Each year, some of the tax revenue collected is set aside in these restricted surplus accounts in order to save enough to cover the cost of these municipal infrastructure projects or smooth major fluctuations in certain operating costs. In this way, property tax bills are smoothed out over time. The funds saved in restricted surplus accounts are invested until they are needed.

It is a balancing act for municipal Administration to determine the optimal amount of funding that should be budgeted for and restricted so as not to accumulate huge restricted surplus balances – this is deemed by some to be ineffective management of taxpayer funds. On the other hand, not collecting and restricting adequate funds increases the risk the municipality may have to impose a significant tax increase in the short term to manage expenditures that were not adequately funded.

Funds set aside in certain restricted surplus funds must be used for the specific purpose for which the restricted surplus fund was established. In some cases, this is dictated by provincial legislation.

Alignment with Financial Principles

The principle most closely aligned with operating and capital restricted surplus accounts is the Town will operate in a Fiscally Conservative Manner.

Current Practice

The Restricted Surplus Account Policy establishes targets (minimum and maximum balances) and provides guidance for the Restricted Surplus Accounts.

The Restricted Surplus Accounts will contain the legislated funding the Town collects for Developer Offsite Levies.

The intention will be to maintain Restricted Surplus Account balances at a level that supports the Town's operations stabilization, new municipal infrastructure acquisition and existing infrastructure lifecycling.

Future Efforts

The Master Servicing Study, which is planned for completion at the end of 2018, will contribute to revisions to the Town's Master Capital Plan. This, in turn, will partially inform the Restricted Surplus Account requirements.

SERVICE SUSTAINABILITY REVIEW

Background

The level of service process shall compliment the service sustainability review.

Alignment with Financial Principles

The principle of Community Service Level Determination is an obvious link to this practice. However, it is closely tied to Sustainability and also Innovation. It will be innovative ideas and approaches that allow the Town to meet ever-increasing service expectations with the same or fewer resources.

Current Practice

Currently, programs and services are evaluated informally to determine whether or not and how they are contributing to the Corporate Strategic Plan. Generally, program revenues are reviewed and program/services reduced on an ad hoc basis and this evaluation is more reactionary than strategic.

Future Efforts

Once the organization is able to formalize the evaluation of services, decisions can be made to add, alter and/or discontinue programs/services to achieve Council's strategic priorities. This evaluation practice will also be eventually linked to public engagement activities.

USE OF DEBT

Background

The Town is subject to debt capacity and servicing limits set by provincial legislation.

Alignment with Financial Principles

The principle most closely aligned with use of debt is the Town will operate in a Fiscally Conservative Manner.

Current Practice

Currently the Town has used debt financing to complete capital projects where sufficient funds are not available without depleting the Town's Restricted Surplus accounts. The Capital Financing and Debt Management policy currently further limits the debt capacity for the Town to 75% of the legislated debt limit.

Future Efforts

The Town will strive to limit debt to longer term municipal capital projects, projects required to ensure public safety, and potentially recreation projects. Debt will not be used to purchase equipment.

The Town will further explore the use of debt as a mechanism for deferring the costs associated with infrastructure replacement to future beneficiaries.

As a general practice, the Town will direct funding for retired debt to the principal and interest payments on new borrowings.

The municipality will take advantage of favorable borrowing rates and flexible repayment terms.

USER FEES & CHARGES

Background

In support of the philosophy that consumers pay for the programs and services from which they benefit, generally user fees and charges should cover the full cost of the programs and services for which they are charged. Traditionally, municipal services have been significantly subsidized by tax funds; as serving the taxpayer is the main purpose of municipal government. In recent years, municipalities have been striving to delineate those services that are more directly linked to specific users or user groups from those activities that serve the general tax base. In the move towards a user-pay mandate, the Town will begin to implement a user fees and charges structure that generates adequate revenues to cover service and program costs or at least a larger share of these costs.

Alignment with Financial Principles

The User Pay principle is obviously most closely aligned with user fees and charges; however, Service Levels Determined by the Community, Using Holistic Views of the Community in Order to Create a Better Tomorrow and Sustainability are also closely linked.

Current Practice

User fees are primarily prevalent with utilities, the development-related functions and recreational activities. Utility rates are discussed in a subsequent section. In Development & Planning Services these include fees and permits for building inspection, development approvals, and subdivisions and are set at levels which are estimated sufficient for cost recovery.

The Town's philosophy is to facilitate our citizens to 'live, work, play and prosper' in the community and to implement excessive recreation and cultural user pay fees would be a significant deterrent to this.

All user fees and charges are reviewed by Administration and Council annually.

Future Efforts

Before future growth can be accommodated, Council and Administration acknowledge that adequate infrastructure needs to be in place. Therefore, the Town needs to be open to working collaboratively with developers to resolve the financial challenges that threaten the progress of development. This includes developing strategies that help the Town achieve consistency in managing the risk related to growth.

It will be the Town's intention to continue to strengthen the linkage between users benefitting and users paying for the services the Town provides. The Town will also persist to identify alternative sources of revenue in all areas of the Town's operations to appropriately collect funding which is allocated to the infrastructure and provision of services.

The future goal of the Town with regard to user fees will be to achieve a minimum of 60% cost recovery and maintaining fees at a competitive level within the region.

The future strategy will be to develop public-private partnerships to help reduce both cost and risk related to recreational infrastructure and programs. This may be further supported by the province's encouragement for an inter-municipal collaboration framework and the potential addition of off-site levy imposition for recreation and emergency facilities in the new MMGA.

UTILITY RATES & CHARGES

Background

In support of the philosophy that consumers pay for the programs and services from which they benefit, generally user fees and charges should cover the full cost of the utility plus future infrastructure replacement.

Alignment with Financial Principles

The User Pay principle is obviously most closely aligned with utility rates and charges; however, Service Levels Determined by the Community, Using Holistic Views of the Community in Order to Create a Better Tomorrow and Sustainability are also closely linked.

Current Practice

Utility rates are set to recover operations fully and a small portion of life-cycle of utility assets. Currently, there is no formalized calculation for changes to utility rates, but after operation costs, utilities contribute \$475,000 annually to asset replacement and \$400,000 annually (11.25%) as a return to property owners through a reduction of the overall Municipal Operating Budget.

All user fees and charges are reviewed by Administration and Council annually.

Future Efforts

Before future growth can be accommodated, Council and Administration acknowledge that adequate infrastructure needs to be in place. Therefore, the Town needs to be open to working collaboratively with developers to resolve the financial challenges that threaten the progress of development. This includes developing strategies that help the Town achieve consistency in managing the risk related to growth.

It will be the Town's intention to continue to strengthen the formula for establishing utility rates and ensuring adequate asset replacement contributions.

SUMMARY

The financial principles and practices discussed in this framework are intended to document the current philosophies in place and guide the Town for the upcoming years. The Financial Framework will be reviewed prior to each multi-year budgeting cycle to ensure that it is an accurate reflection of the philosophies shared by Council and Administration and to continue to build on the financial goals for the Town. The annual financial results will be compared to past indicators and the benchmarks developed to ensure the intended financial results are being achieved. The Financial Framework will be updated to reflect the financial outcomes that have been achieved and changes in financial direction by Council.

GLOSSARY OF TERMS

Asset Management System – means an integrated business approach involving planning, finance, engineering, maintenance and operations geared towards effectively managing existing and new Tangible Capital Assets.

Debt (Long-term debt)– borrowings from third parties schedules for repayment over a period of five or more years.

Inter-municipal Collaboration Framework – a framework that will highlight and formalize existing collaborative work across the province, and provide a forum for neighboring municipalities to work more closely together to better manage growth, coordinate service delivery, and optimize resources for citizens. The frameworks will need to address inter-municipal land-use planning and how servicing will support development, as well as regional service delivery and funding.

Local Improvements – capital improvements that benefit specific properties and are financed by a special tax on the benefiting properties.

Modernized Municipal Government Act - means the *Modernized Municipal Government Act*, SA 2016, c 24, as applicable, and all amendments thereto.

Municipal Government Act (MGA) - means the *Municipal Government Act*, R.S.A. 2000, c. M-26 and the *Modernized Municipal Government Act*, SA 2016, c 24, as applicable, and all amendments thereto.

Multi-Year Budget (MYB) – means the budget for the municipal revenues and expenditures for the Town in support of the ongoing operations and capital plan for a term that is linked to the election cycle and begins with the year following 14 months after each municipal election.

New Infrastructure – The basic infrastructure foundation of a community. Large scale public systems, services and facilities of the Municipality that are necessary for economic activity in the community, including water and wastewater supplies, public transportation, roads, and buildings/facilities.

Off-site Levy Fees – means the fees charged to developers for off-site infrastructure providing transportation, utility and storm drainage services for new development.

Public Sector Accounting Board (PSAB) – means the Public Sector Accounting Board Standards which municipal government is required to comply with.

Restricted Surplus – the amount that results from excess revenues which have been internally designated for a specified future purpose, or externally restricted.

ADDITIONAL DEFINITIONS FOR A BROADER UNDERSTANDING

Financial Sustainability – the municipality’s ability to manage their finances so the municipality can meet current and long-term spending commitments; having stable taxation, both now and in the future, while maintaining the municipality’s highest priority programs.

Full cost accounting - generally refers to the process of collecting and presenting information — about environmental, social, and economic costs and benefits/advantages (collectively known as the "triple bottom line") - for the provision of a service or construction of a facility.

Infrastructure Condition Assessment – the inspection, assessment, measurement and interpretation of the resultant data, to indicate the condition of capital infrastructure so as to determine the need for preventive or remedial action or replacement of the infrastructure.

New Assessment Growth – means assessment value that is added to the Town’s assessment base due to new development as opposed to new assessment value which is an increase in the value of existing assessment base.

Public Private Partnerships (P3s) - describes a government service or private business venture which is funded and operated through a partnership of government and one or more private sector companies.

Rehabilitation – replacing an asset that has reached the end of its service life with a new infrastructure asset.

Sustainable Infrastructure – means that today’s decision on the provision of municipal infrastructure must protect and enhance the quality of life for the near future using measures of economic, environmental and social factors.

Tax-supported Debt – long-term debt repaid through property tax levies.

Unrestricted Surplus – the portion of the accumulated surplus that results from excess revenue and expenses available for any future use.