

# COUNCIL POLICY



Document Name: Fiscal Responsibility

Department Name: Financial Services

Document Number: FIN-160

Effective Date: October 10, 2023

Next Revision Date: October 10, 2026

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## **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 Contingency Reserve" means a small portion of the annual approved capital budget to fund minor funding adjustments for approved capital projects throughout the year.
- 1.4. "Capital Infrastructure Reserve" (CIR) means an established capital reserve used to fund construction or acquisition and life cycle expenditures related to tangible capital assets.
- 1.5. "Council Amendment" means a capital budget or project amendment that must be approved by Council.

- 1.6. "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.
- 1.7. "Fiscal Amendment" means a capital budget adjustment that may be authorized by Administration, based on criteria set and approved by Council.
- 1.8. "Operating Budget Allocation" means the rationalization of budgeted operating funds based on approved requirements.
- 1.9. "Operating Budget Reallocation" means the rationalization of adjusting, transferring, or correcting a previously approved allocation of budgeted operating funds.
- 1.10. "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 request at Council. 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.
- 1.11. "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.
- 1.12. "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 242(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. Annual Capital Budget Allocations:

- 3.1.3.1. As defined by the MGA 245, Council must adopt a capital budget for each calendar year by January 1 of that calendar year.

3.1.4. Capital Budget Reallocations may be authorized as a Fiscal Amendment by Administration through the Capital Project Steering Committee (CPSC) provided that:


- 3.1.4.1. The proposed reallocation supports an efficient administrative and capital project delivery process;
- 3.1.4.2. The proposed reallocation will not result in the addition or cancellation of a capital project in the current Capital Budget Allocation;
- 3.1.4.3. The change does not alter the nature and type of capital project or otherwise constitute a Scope Change;

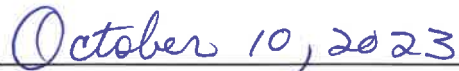
- 3.1.4.4. Where additional capital funding is requested, funding must come from a combination of the annual capital contingency reserve, internal savings from existing approved capital projects, other uncommitted sources such as grants and offsite levies, or through the cash flow management of other capital projects;
- 3.1.4.5. The amount is under \$500,000 and does not exceed 10% of the original capital budget.
- 3.1.5. Capital Budget Reallocations requiring a Council Amendment:
  - 3.1.5.1. Where additional capital funding is requested and exceeds funds available from the sources noted in Section 3.1.4.4, Council amendment approval is required prior to using either the Capital Infrastructure Reserve (CIR) or other financing sources;
  - 3.1.5.2. Allocations in excess of 10% of the original approved Capital Budget, where the original budget was above \$500,000, requires Council approval;
  - 3.1.5.3. The CAO may authorize increases for extraordinary events/emergencies attributable to *force majeure*; and
  - 3.1.5.4. 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.

**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.

  
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Sandy Bowman, Mayor

  
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Jade Brown, Chief Legislative Officer

  
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Date

### 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.

## 4. **Rescind and Replace**

This Council Policy rescinds and replaces Fiscal Responsibility Council Policy FIN-160 dated July 14, 2015

**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**

<b>Date</b>	<b>Action</b>	<b>Description</b>
April 26, 2011	Introduction	New policy supporting fiscal responsibility and guidance on capital and operating reserves
July 14, 2015	Revision	Update policy to reflect best practices
October 10, 2023	Revision	Updates regarding previously approved capital budget thresholds, new section regarding Signing Authorities in line with Municipal Government Act Section 213(4)

