

CITY OF LETHBRIDGE

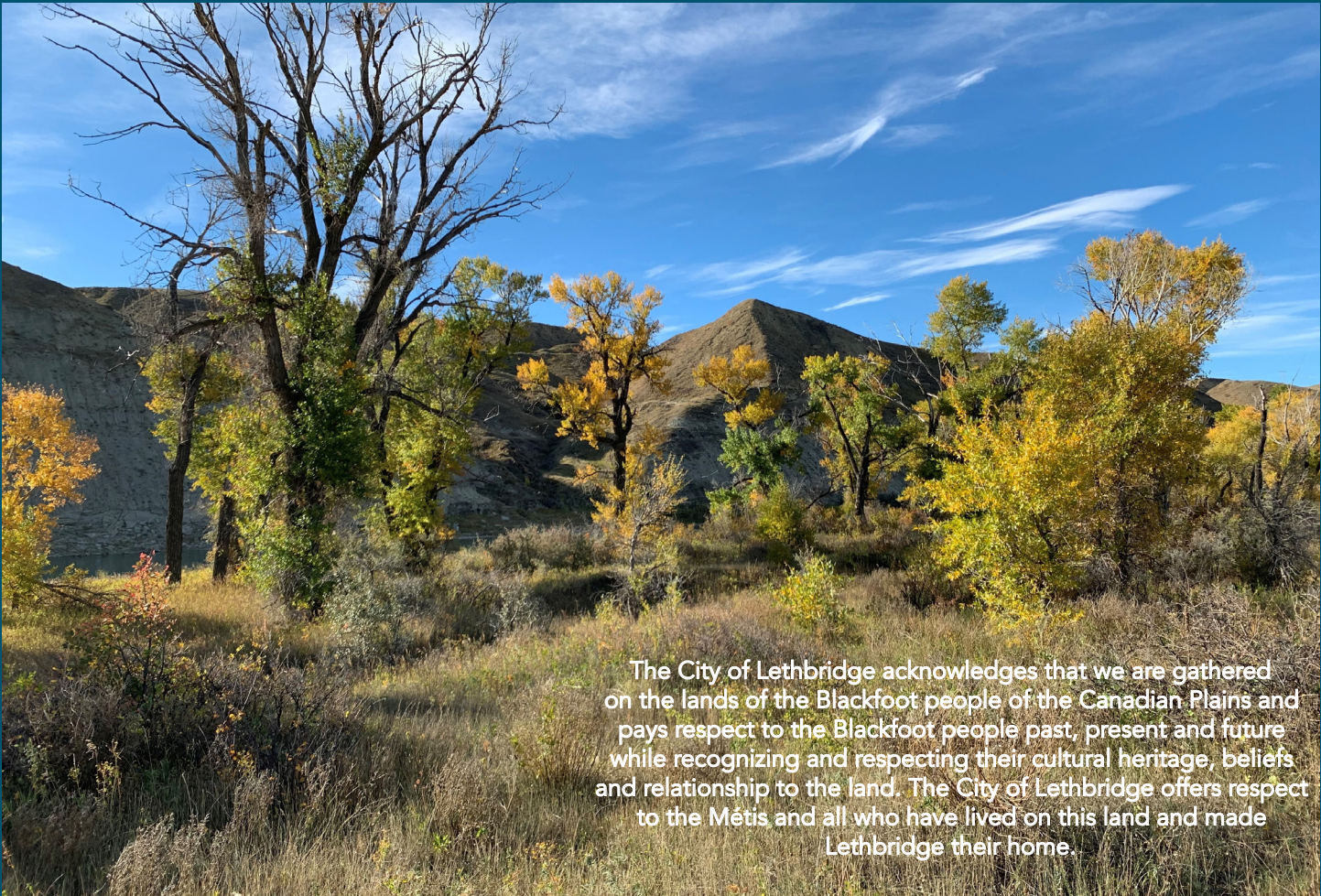
SUMMARY OF FISCAL PRINCIPLES, PRACTICES AND POLICIES

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The City of Lethbridge acknowledges that we are gathered on the lands of the Blackfoot people of the Canadian Plains and pays respect to the Blackfoot people past, present and future while recognizing and respecting their cultural heritage, beliefs and relationship to the land. The City of Lethbridge offers respect to the Métis and all who have lived on this land and made Lethbridge their home.

CHIEF FINANCIAL OFFICER & TREASURER'S MESSAGE

A municipality functions at its fiscal best when it operates within a framework of well planned and implemented principles, practices and policies. Over the years, the City of Lethbridge has developed efficient and innovative financial programs which has allowed the City to monitor and control the direction, allocation and usage of its financial resources. These fiscal programs guides the City of Lethbridge towards achieving its vision of being a healthy, attractive and economically viable city.

In this document, I am pleased to provide the City of Lethbridge's **Summary of Fiscal Principles, Practices and Policies** – the basis of a solid financial footing and high standard of accountability. This summary highlights the City's financial control over assets, liabilities, funds, budgets and expenditures that ensures the management of the City's financial operations. This document is intended to be a compendium of the most successful programs; a convenient reference to the practices and policies that have shaped the current financial picture and direct the City's future.

The document is organized into twelve categories: Operating Budget, Taxation, Revenue, Expenditure, Utilities, Capital Improvement Program (CIP), Asset Management, Short Term Borrowing, Long Term Borrowing, Reserves, Investment, and Accounting, Auditing and Financial Reporting. Within these sections, you will find the keys to the prudent fiscal management that enables us to balance long-term fiscal responsibility with customer needs.

It is the policy of the City of Lethbridge to ensure effective stewardship of the City's financial resources. Therefore, Administration will implement effective financial systems, controls and strategies to meet operational and legislative requirements and develop financial policies and procedures to ensure the long-term viability of the corporation.

As CFO & Treasurer, I congratulate past and present City Councils for the foresight and wisdom that enabled the creation and implementation of such innovative ideas, and I also wish to thank the talented and dedicated team of staff members whose best efforts resulted in ideas being transformed into action. These principles, practices and policies has allowed the City to conquer financial challenges of the past and meet planned future financial obligations. It is my hope that future fiscal decisions will be based on this work, yet continue to evolve with further input from our Council and Administration.

Respectfully submitted,



Darrell Mathews, CPA, CMA, CIA
CFO & Treasurer



OPERATING BUDGET

Budget Requirements

MGA Section 242

City Council must adopt an operating and capital budget that covers each calendar year. This requirement is met by the adoption of multi-year operating and capital budgets.

Balanced Budget

MGA Section 244

The City's operating budget must have revenues equal to or greater than expenditures. At no time shall the City Manager authorize operating or capital expenditures in excess of the approved total operating and capital budgets.

Multi-Year Operating Budget

Policy FS-01

The City of Lethbridge prepares a multi-year operating budget. To accommodate the multi-year budget cycle, departments are expected to operate within their approved multi-year budget. If there is a negative budget variance in the initial year(s), departments are expected to offset the variance by adjusting expenditures in the final year(s). If the initial year(s) result in a positive budget variance, the departments will have the ability to carry over the surplus to assist in operations in the final year(s) of the budget. Positive and negative budget variances resulting from factors not attributable to the department management (e.g. windfall revenues and utility costs on City facilities) may be included/absorbed within corporate variances. Corporate variances are annually transferred to/from the Municipal Revenue Stabilization Reserve (MRSR).

There will be ongoing annual reviews of the operating budget for years 2, 3 and 4 to determine if adjustments or amendments are required by Council.

Financial Shortfall

MGA Section 244, Bylaw 6099

The operating budget must include an expenditure to cover any shortfall resulting over the prior budget cycle. The City Manager may authorize over expenditures within programs of the operating budget. Such changes will be reported to Council.

Conservative Revenue Estimates

The City will estimate its annual revenues by an objective, analytical process utilizing trend, judgmental and statistical analysis as appropriate. Since revenues are sensitive to both local and regional economic conditions, revenue estimates adopted by City Council must be conservative.

One-Time Revenues

Revenues that are not expected to be of an ongoing nature will not be used to fund ongoing expenditures. These revenues will be used to offset current or future one-time expenditures. The City will avoid budgetary and accounting procedures, which balance the current budget at the expense of future budgets.

Cause and Effect

The City will practice cause and effect budgeting. When a particular condition or event requires increased charges, those charges will be implemented immediately rather than phasing them in over a period of time.

Corporate Contingency

Policy FS-01

A contingency amount will be established to provide for unanticipated expenditures or to set aside funds to cover anticipated expenditures with unknown costs. The funding amount is established and approved by City Council through the operating budget. The City Manager approves the use of contingency and reports it to City Council in the Unaudited report.

Capital Maintenance Items in Operating Budget

Capital maintenance items will be funded from the operating budget rather than the capital budget.

Equipment Purchases

Equipment purchases are funded from the operating budget rather than from the capital budget. Capital assets are recorded by the City at the time of acquisition. The annualized lifecycle costs of the assets are funded through the annual operating budget. Where the life of the asset is extended beyond its original estimated life, the related funding in the operating budget is directed to an equipment replacement fund.

Service Level Changes

Policy FS-01

Service levels are quantifiable or measurable characteristics of the service such as quality, reliability, responsiveness, accessibility, safety and customer service. These characteristics were derived from a number of sources and are key determinants of the costs associated with the programs provided by the City. Changes to core service levels provided by the City (increase or decrease) must be approved by City Council.

Additional Full Time Equivalents (FTEs)

City Council Resolution - December 10, 2024, Policy FS-01

Additional permanent full time equivalents (FTEs) must be approved by the City Manager.

TAXATION

Property Tax Bylaw

MGA Section 353

City Council must pass a Property Tax Bylaw annually. The operating and capital budgets must be adopted by City Council prior to passing the Property Tax Bylaw.

Supplementary Tax

MGA Section 313

In conjunction with the annual Property Tax Bylaw, City Council approves the levying of a supplementary tax. If a new building or an addition to an existing building is completed in the calendar year, a supplementary tax bill will be issued before the end of the current year. The supplementary tax bill will reflect the number of months the building was completed or occupied during the year.

Local Improvement Charges

MGA Sections 391-409

Property owners can petition the City of Lethbridge for improvements specific to their area (e.g. lane paving). These additional charges are reflected on the tax bill as a local improvement tax. Local improvement charges are spread over ten years. However, property owners can arrange for an earlier pay out.

Tax Prepayment

MGA Section 339

Prepayments of taxes up to a maximum of the prior year's taxes receive an incentive discount for early payment. This discount rate is set annually through the Incentives for Prepayments, Penalty and Tax Deferral Bylaw.

Tax Installment Pre-payment Plan

MGA Section 340

The Tax Installment Pre-payment Plan (TIPP) is a monthly installment plan based on prior year's taxes to encourage the early payment of property taxes. The Tax Installment Pre-payment Plan Bylaw sets the incentive discount rate.

Tax Arrears Payment Plan

MGA Sections 347 & 418(4)

The Tax Arrears Payment Plan (TAPP) is authorized by bylaw to set repayment parameters, including incorporating estimated future taxes and partial penalty waivers upon successful completion. *MGA section 418(4)* is also applied to arrangements limited to arrears, which do not require a bylaw.

Tax Deferral

MGA Section 347

Ratepayers experiencing tax increases in excess of 10% of the annualized prior year property tax levy are eligible to (1) defer a portion of the tax to December 1, or (2) transfer the excess to their TIPP account without penalty.

Penalties for Late Payment

MGA Section 344 & 345

7% penalty is added to current taxes outstanding after the last business day in June. An additional 1% penalty is applied on the first day of each month, August to December on current and supplementary outstanding tax balances. Taxes and penalties unpaid after December 31 of the year they were levied are subject to penalty in the amount of 12% per annum calculated daily.

Changes in Taxable Status (City Sales)

MGA Section 368

In accordance with the *Municipal Government Act (MGA)*, a property tax is levied on property where the occupant or use changes to one that does not qualify for exemption. When the City sells a property, a prorated tax is imposed for the part of the current tax year the property is not exempt.

Business Improvement Area Tax

MGA Section 50-53 & 381

City Council established a Business Revitalization Zone (BRZ) in 1988 for businesses located in the downtown area. In 2016, the provincial government changed the name of this type of establishment to a Business Improvement Area (BIA) with no set timeline on changing existing zones. The terms are interchangeable. The Downtown BRZ annually presents the BIA budget to City Council for approval. The budget includes tax revenue requirements to be collected by the City on behalf of the Downtown BRZ.

Complaints

MGA Section 454-466

Residential complaints (three units or less) are heard before the Local Assessment Review Board (LARB) appointed by City Council. Complaints for income producing properties, commercial, industrial, rental residential with four units or more are heard by the Composite Assessment Review Board (CARB). City Council appoints two members and the provincial government appoints the Chairman. If the number of hearings exceeds nine in a year, the City is responsible for the cost of the Provincial Chairman.

TAXATION (continued)

Tax Cancellation and Refund

MGA Section 347, Policy CC-69

In accordance with the *Municipal Government Act (MGA)*, if a council considers it equitable to do so, it may, generally or with respect to a particular taxable property or business or a class of taxable property or business, do one or more of the following, with or without conditions:

- a. Cancel or reduce tax arrears;
- b. Cancel or refund all or part of a tax;
- c. Defer the collection of a tax.

A council may phase in a tax increase or decrease resulting from the preparation of any new assessment. All requests must be approved by City Council.

Assessment Review Board Fees

MGA Section 481

Assessment Review Board (ARB) appellants are required to pay a fee when filing their appeal. This fee is totally refunded if either Board (LARB or CARB) rules in favor of the ratepayer.

REVENUE

Diversified and Stable Revenue System

The City will try to maintain a diversified and stable revenue system to shelter it from short term fluctuations in any one revenue source.

Interest/Return on Investment to MRSR

Unless required by trust agreements or otherwise approved by City Council, all interest earnings as well as return on investments from the Electric Utility are credited to the Municipal Revenue Stabilization Reserve (MRSR).

Municipal Consent and Access Fees

All Municipal Consent and Access Fees (MCAF) accrue to the MRSR. A set annual amount will be transferred from the MRSR to general operations. Any MCAF received in excess of the set annual amount can be used to assist the City in funding one-time projects and debt management strategies.

Police Revenues

All police fines net of applicable expenditures accrue to the MRSR. A set annual amount will be transferred from the MRSR to general operations.

User Fees

The City of Lethbridge charges user fees for services. User fees are set to recover the full cost of services provided, except when City Council determines that a subsidy from the General Fund is in the public interest (e.g. Arenas, Transit).

Certain user fees are approved through a bylaw (for example tax certificates and mortgage company lists are approved through the Property and Assessment Fee Bylaw).



EXPENDITURE

Approved Expenditure

MGA Section 248

An expenditure may only be made if it is included in the operating or capital budgets or otherwise authorized by City Council, for an emergency, or legally required to be paid. No director, agent or employee of the City of Lethbridge is authorized to avoid the Purchasing Policies for the procurement of goods and supplies. Emergency expenditures would cover unforeseen catastrophic costs not covered under the operating budget.

One-Time Allocations

City Council Resolution - November 29, 1993

Fifty percent of the prior year operating surplus can be allocated from the Municipal Revenue Stabilization Reserve (MRSR) to cover one-time expenditures, with City Council's approval.

Travel Expense Claims

Policy CC-10, FS-05, FS-05-PR01

City Council will be compensated for travel expenses incurred to meet with individual residents and with representations of community organizations. It also covers travel costs while representing the municipality at meetings and other community events and travel costs incurred by elected officials to attend to municipal business matters in their capacity as elected officials of the municipality (within the municipality).

The City of Lethbridge will pay for reasonable business travel expenses necessarily incurred by persons affected in the performance of their duties. Business travel must be pre-approved by the Claimant's General Manager/ Designated Supervisor.

Vehicle Expense Reimbursement

Policy FS-04

Employees who are required to use their private vehicles for authorized City business will be reimbursed for the use of their vehicle.

Technology for Council Members

Policy CC-11

The City of Lethbridge will provide each Council member with flexible, secure and cost-effective technological options to support their work.

Leasing Equipment

The City will purchase capital property outright that is required for the purposes of supporting business operations. In some instances, the City may choose to lease providing there is a demonstrated business case that justifies operational benefits to consider a leasing arrangement. City Manager's approval is required for lease arrangements.

Competitive Procurement Process

Policy PUR-01, Procedure PUR-01-PR01

All goods and services must be procured using a competitive process that is open, fair and transparent except where the purchase meets direct award justification. The City typically utilizes the following recognized competitive methods:

- Request for Quotation (RFQ)
- Request for Proposal (RFP)
- Request for Supplier Qualification (RFSQ)

General Managers may authorize expenditures up to \$39,999 if a documented competitive process has occurred. All expenditures greater than \$39,999 require the approval of the Purchasing Manager. The Purchasing Manager can approve up to \$74,999 if a competitive process has been utilized. All expenditures exceeding the Purchasing Manager's authorization limits also require the approval of the City Manager. The City Manager can approve up to a previously approved budget amount for all other expenditures if a competitive process has been utilized. All expenditures exceeding the previously approved budgets must be submitted to City Council for consideration.

Direct Award Process

Policy PUR-01, Procedure PUR-01-PR01

Good/Services less than \$75,000 or construction less than \$200,000:

Goods and services can be procured without a competitive process if it meets one or more of the accepted justifications defined in policy.

Good/Services \$75,000 or greater or construction \$200,000 or greater:

Under the same conditions mentioned previously, goods and services may be procured without a competitive process only if an exemption is granted by the applicable trade treaties (e.g. Canada Free Trade Agreement, New West Partnership Trade Agreement, and Comprehensive Economic Trade Agreement).

Direct Award Authorization

General Managers may authorize direct award expenditures up to \$9,999. All direct award expenditures greater than \$9,999 require the approval of the Purchasing Manager. All direct award expenditures greater than \$24,999 also require the approval of the City Manager. The City Manager can approve a direct award up to a previously approved budget amount. All direct award expenditures exceeding the approved budget must be submitted to City Council for consideration.

UTILITIES

Utilities Self Balancing

The City sets fees and user charges for each utility fund at a level that fully supports the total direct and indirect cost of the utility.

Utility Rates - Water & Wastewater

Customers will be given approximately 90 days notice prior to implementation of utility rate changes. The City prepares a four-year water and wastewater rate forecast that is updated annually.

Utility Rates - Electric

Rate of Last Resort Regulation AR 262/2005

The Rate of Last resort (RoLR) is a 2-year fixed, stable default rate with a 10% rate adjustment cap for any subsequent 2-year fixed rate. The RoLR includes energy related charges (including, but not limited to, energy rates, risk margin, and trading charges) and a consumer awareness surcharge of 0.1 cents/kWh to support initiatives by the Utilities Consumer Advocate to inform regulated rate customers about their electricity service options. The Regulated Default Supply (RDS) is a rate for customers that have annual consumption of electric energy at a site is more than 250 megawatt hours of electric energy at that site. These rates are posted each calendar month on an easily accessible internet page on the first day of the calendar month in which the rate is to have effect.

Electric Utility Accrual Basis

The Electric Utility follows the accrual basis of accounting for determining the electric utility's revenue requirements. Under this method, capital expenditures are recovered over the life of the asset. Depreciation expense recoups the cost of the capital assets over their useful lives.

Electric Utility Operating Surplus/Deficit

The City of Lethbridge electric utility operates on a balanced budget with residual operating surplus/(deficit) applied to/(from) the Electric Reserve.



Wastewater Treatment Plant

Electric Return on Investment

Policy FS-17

The Electric Utility will provide the City with a return on investment to rationalize continued ownership of the Electric Utility. A percentage of the return on equity is transferred from the Electric Utility reserve to the General Fund as a return on investment. This method of calculating the return on investment is consistent with Electric Utility industry standards in Alberta.

Granting Exclusive Franchise/MCAF Rights

The City grants exclusive utility distribution rights to the Electric Utility. This is accomplished through the Municipal Consent and Access Fee (MCAF), which is necessary and desirable to ensure that the distribution system is efficiently planned and non-duplicated and helps compensate the City of utility right-of-way maintenance.

ATCO Gas shall hold exclusive franchise rights to provide natural gas distribution service within the City of Lethbridge, and in turn the City receives a MCAF.

Electric - Determining Municipal Consent & Access Fee

Policy FS-17, FS17-PR01

The City of Lethbridge assesses a Municipal Consent and Access Fee (MCAF) to the Electric Wire Services Provider (WSP) based on an approved MCAF factor of the current distribution tariff (DT).

Landfill Relief of Taxation

The Waste Services Utility will transfer an amount equal to 10% of landfill revenues to the general fund for relief of taxation.

Water Relief of Taxation

The Water Utility will transfer an amount equal to 8% of water revenues to the general fund for relief of taxation.

Water, Wastewater & Waste Accumulated Surplus

The primary purpose of the surpluses is to set aside funds to provide for unanticipated or emergency expenditures that could not be reasonably foreseen during the preparation of the budget and/or for down payments on the utility's capital projects.

Rainy Year Water Revenue Risk

The Water Utility will maintain an accumulated surplus between 9% and 15% of revenues to reduce the revenue risk associated with a rainy year.

CAPITAL IMPROVEMENT PROGRAM (CIP)

Integration of CIP and Operating Budget

The City will coordinate development of the Capital Improvement Program (CIP) with the development of the operating budget. The current budget process staggers the capital and operating budget deliberations by one year. Staggering the two budgets helps to manage costs more effectively, for example by ensuring that the operating costs relative to approved capital projects are factored into the operating budget.

Ten Year Capital Budget

City Council Resolution - June 28, 1999

The City develops a four year capital plan within a ten year context for capital improvements to provide for adequate design prior to construction season. The Capital Improvement Program (CIP) includes design, development, implementation, operating, and maintenance costs as well as associated funding sources. The City will make all capital improvements in accordance with an approved CIP.

There will be ongoing annual reviews of the Capital budget for years 2, 3 and 4 to determine if adjustments or amendments are required by Council.

Awarded Contract Amendments

For capital expenditures, approved contracts may be amended (with City Manager approval), provided that funds are available within the approved capital project budget.

Capital Project Budget Amendments

Policy FS-02

If changes will result in expenditures exceeding the total approved project budget, the City Manager can approve an additional 15% of the capital project budget up to \$200,000, provided the funds are available within previously approved budgets. All other requests require the approval of City Council.

Pay As You Go Program

Policy CC-78

A program included annually in the operating budget that covers the cost of capital projects that are recurring or relatively small scale improvements and funds debt payments for specific capital projects. The Pay As You Go program will be balanced through the appropriate taxation reserve or utility reserve.

Pay As You Go Taxation

A subcategory of the Pay As You Go program that is used to fund taxation supported capital projects from which a portion of the funds is held in a taxation reserve (Major Capital Project Reserve) to make debt payments for tax supported projects. The Pay As You Go taxation program is increased annually by 0.15% of the municipal tax levy.

Pay As You Go Utility

A subcategory of the Pay As You Go program that is used to fund utility supported capital projects from which a portion of the funds is held in a utility reserve to make debt payments for utility supported projects. The Pay As You Go utility program will be identified and approved as part of the operating budget process and rate bylaw process.

Capital Grants

Policy FS-13

The City of Lethbridge will maximize the use of federal, provincial, and other funding available through grants, when there is a reasonable return on the investment of corporate resources.

Electric Utility Capital Investment Funding

Policy FS-17

Electric Utility capital investments will be funded through the Electric Reserve, external debt financing and/or short term internal financing.



Outdoor Sports Court

ASSET MANAGEMENT

Asset Management Policy

Policy CC-68

The City takes a formal approach in the management of its assets by investing at the most optimal times to maximize their life. The City is committed to creating, implementing, and evaluating an Asset Management System to protect City assets and best serve the community. To ensure that this commitment is realized, priority will be given to maintaining existing assets, over purchasing or building new assets.

Asset Management Strategy

A City wide document that defines the long-term approach to asset management that will guide administration in the implementation of City Council Policy CC-68: Asset Management Policy.

Asset Management Plan

Policy CC-68

Long term plan that details the assets, activities and programs for each service area, and the resources required to provide a defined level of service in the most cost-effective way.

Maintaining Current Capital Assets (Lifecycle)

Policy FS-01

The City of Lethbridge places a high priority on maintaining current capital assets (lifecycle). The annual operating budget provides for maintenance and replacement of the City's capital assets and equipment. Due to the timing of the lifecycle maintenance, the unexpended operating funds may flow into the following year's budget, with City Manager's approval. Departments must maintain an asset management plan that includes a forecasted cashflow to support the timing of spending on the replacement or maintenance of capital assets without changing existing service levels and minimizing risk.

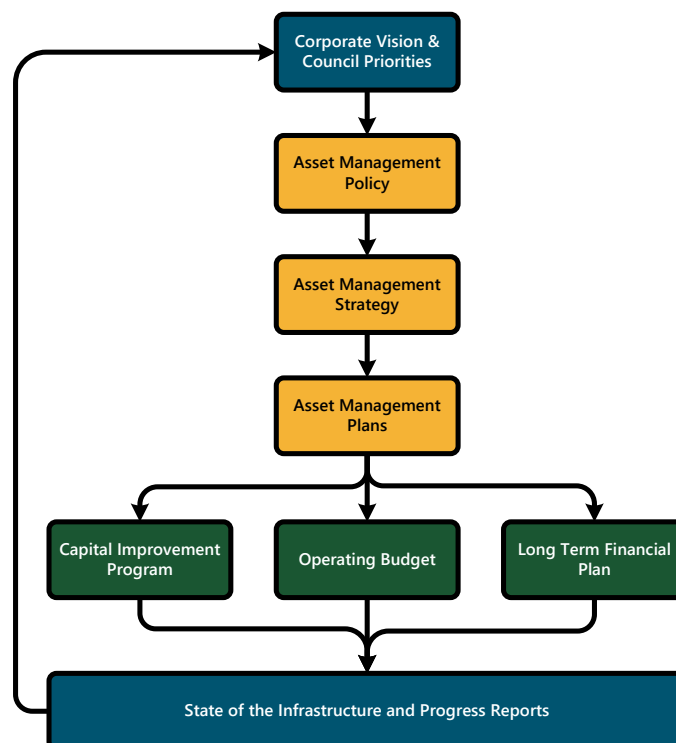
Lifecycle funds are allocated to maintain high priority capital assets. Examples of high priority maintenance items included in the operating budget are bridge maintenance, street upgrading, sidewalk/boulevard renewals, planing and overlay of arterials, storm sewer maintenance, utility infrastructure maintenance, parks/trails maintenance, irrigation automation, building maintenance and technology infrastructure.

Lifecycle Cost

Policy CC-68

The total cost of owning an asset. This includes costs associated with acquisition, operation, maintenance, renewal/replacement, and disposal.

Functional Relationships of the Asset Management Strategy



SHORT TERM BORROWING

Approval of Short Term Operating Borrowing

The City may use short term debt to cover temporary or emergency cash flow shortages. Short term borrowing limits will be subject to City Council approval by bylaw or resolution.

LONG TERM BORROWING

Borrowing Bylaw

MGA Section 251

A bylaw must be authorized by City Council prior to any external borrowing. A borrowing bylaw must be approved prior to commencing construction on any project that is to be financed by external borrowings. Proceeds from long term debt will not be used in support of ongoing operations.

Borrowing Term

Unless otherwise approved by City Council, the term of a loan will be kept as short as possible up to a maximum of 15 years for taxation supported projects and 20 years for utility/self supported project. In any case, the term of the loan shall not exceed the estimated lifetime of the capital asset as defined under the *Municipal Government Act*.

Internal Borrowing

Where possible, the City will utilize internal loans rather than external borrowing to meet its capital funding requirements. Internal loans will be permitted only if an

analysis of the affected fund indicates funds are available and the use of these funds will not impact the fund's current operations. The prevailing interest rate in effect from the Province of Alberta will be paid on these loans.

Other Borrowings

Where City Council authorizes a borrowing bylaw on behalf of others (except for local improvements), a 1/4% administrative charge may be added to the then prevailing Province of Alberta rates.

Borrowing for Non-Profit Organizations

The City of Lethbridge does not finance, backstop or otherwise guarantee any borrowing by or on behalf of any community organization to fund capital projects.



Water Treatment Plant

RESERVES

Reserve Fund

Policy CC-65

A fund used to account for the proceeds of specific revenue sources to meet specific future expenditure requirements.

Acquire Off Street Parking

The purpose of the Acquire Off Street Parking Reserve is to provide funding necessary to develop additional off-street parking and fund other parking related expenditures.

Airport

The reserve was established July 1, 2018 when the City of Lethbridge acquired ownership of the airport. The future purpose of the reserve will be to provide capital financing of airport projects and support the general operations of the airport.

Cemeteries

The purpose of the Cemeteries Reserve is to provide for and make provision of the improvement, maintenance, management, control and operation of public cemeteries.

Central Business District Land Acquisition

The purpose of the Central Business District Land Acquisition Reserve is to establish a source of funding for parcels of land in the Central Business District (CBD).

Community Lighting

The purpose of the Community Lighting Reserve is to fund the replacement of community lighting assets.

Electric

The purpose of the Electric Reserve is to provide capital financing of Electric Utility projects and to stabilize the effect of fluctuating operation surpluses and deficits.

Fleet Services

The purpose of the Fleet Services Reserve is to provide for a self-sufficient pool of funds to allow for the ongoing replacement of fleet assets.

Insurance

The purpose of the Insurance Reserve is to stabilize the effects of rising and unpredictable insurance premiums.

The City maintains insurance coverage through self-insurance and/or purchased insurance to protect the City. These insurance levels are reviewed annually to ensure that the City is adequately protected.

Major Capital Projects

The purpose of the Major Capital Projects Reserve is to fund capital projects and buffer the effects of short-term fluctuations in debt payments and capital expenditures on the Pay-As-You-Go plan.

Mayor Magrath Drive Beautification

The purpose of the Mayor Magrath Drive Beautification Reserve is to provide funds to allow for beautification of Mayor Magrath Drive.

Municipal Reserve Fund

The Municipal Reserve Fund can only be used for prescribed purpose such as public parks and public recreation areas.

Municipal Revenue Stabilization

The purpose of the Municipal Revenue Stabilization Reserve (MRSR) is to stabilize the effects of fluctuating interest revenue and General Operation surpluses and deficits on annual taxation requirements. All General Operation surpluses of prior years, return on investments, municipal consent and access fee/franchise fee and by-law enforcement revenue surpluses, internal financing recoveries and other allocations from General Operations are added to the reserve. Budget allocations to General Operations are charged to the reserve and include municipal consent and access fee/franchise fee and by-law enforcement revenue shortfalls, and return on investments. Other charges to the reserve include any General Operation deficits of prior years, one time expenses, internal financing advances and other allocations to General Operations.

RESERVES (continued)

Operating Budget Carryover Reserve

City Council Resolution - May 13, 2025

The purpose of the Operating Budget Carryover Reserve is to accommodate the approved Operating Budget cycle. If there are any approved Operating Budget expenditures (within programs of the approved Operating Budget) that are not expended/received at year end, they can be carried over to this reserve.

Committed Budget Carryover - Corporate

Policy FS-01

Where, in a given year's budget, the City provides for specified expenditures which at year end are not expended/received, the City Manager may transfer the unexpended funds to a Committed Budget Carryover - Corporate.

Committed Budget Carryover - Department

Policy FS-01

Where, in a given year's budget, the City provides for specified expenditures which at year end are not expended/received, the department may transfer the unexpended funds with City Manager's approval. Such transfers are recorded in a Committed Budget Carryover - Department.

Uncommitted Budget Carryover

Policy FS-01

Departments are expected to operate within their four-year budget. If the department experiences a net under expenditures (positive variance), the departments have the ability to roll the amounts over to assist operations for the remainder of the 4-year operating budget cycle. If there is a shortfall after the first year, departments are expected to overcome the deficit by adjusting expenditures in the remaining years of the budget. At the end of the four-year budget cycle, any remaining Uncommitted Budget Carryover is transferred to the MRSR in accordance with the City Council Resolution.

Real Estate Holdings

The purpose of the Real Estate Holdings Reserve is to provide a source of funding for land acquisitions within the city but outside of the Central Business District (CBD) area.

Transit Bus

The purpose of the Transit Bus Reserve is to provide funding for the City portion of new transit equipment including maintenance and replacement of Lethbridge Transit and ACCESS-A-Ride (AAR) technology and equipment.

Urban Parks

The purpose of the Urban Parks reserve is to provide funds for the ongoing operation and maintenance of the Urban Parks system.

Waste Utility Reserve

The purpose of the Waste Utility Reserve is to provide funds for the Waste Utility projects including renewal, and expansion of infrastructure to ensure reliable operations and to meet growing community needs.

Wastewater Utility Reserve

The purpose of the Wastewater Utility Reserve is to provide funds for the Wastewater Utility projects including renewal, and expansion of infrastructure to ensure reliable operations and to meet growing community needs.

Water Utility Reserve

The purpose of the Water Utility Reserve is to provide funds for the Water Utility projects including renewal, and expansion of infrastructure to ensure reliable operations and to meet growing community needs.

Subdivision Surplus Accounts

Revenues and expenditures from land development activity are recorded in the subdivision surplus accounts.



Pelicans - Brittany Wickenheiser

INVESTMENT

Investment Policy

Policy CC-44

It is the policy of the City of Lethbridge to conform to all provincial statutes and regulations governing the investment of municipal funds. All those involved with the management of the City of Lethbridge investments are required to comply with the contents of this policy.

It is also City of Lethbridge policy that the Chief Financial Officer & Treasurer or designate who exercises due diligence and acts in accordance with this policy shall be relieved of personal responsibility for market price

changes or the credit risk of any investment, provided that appropriate action is taken to control adverse developments and that such developments are reported on a timely basis.

Municipal funds shall be invested in a manner that will meet the following objectives, listed in order of importance:

- Maintain the safety of investment principal
- Meet daily cash flow requirements
- Provide competitive investment returns

ACCOUNTING, AUDITING & FINANCIAL REPORTING

General Financial Policy

Policy CC-02

It is the policy of the City of Lethbridge to ensure effective stewardship of the City's financial resources. Therefore, Administration will implement effective financial systems, controls and strategies to meet operational and legislative requirements and develop financial policies and procedures to ensure the long-term viability of the corporation.

Annual Financial Statements

MGA Section 276

The City of Lethbridge must prepare annual financial statements by May 1 for the immediately preceding year in accordance with the generally accepted accounting principles for municipal governments recommended by the Chartered Professional Accountants of Canada.

Auditor's Report

MGA Section 281

The City's auditor must report to City Council on the Annual Financial Statements and the Financial Information Return each year.

Interim Financial Reporting

City Council Resolution - August 24, 2021

The City will review its revenues and expenditures for the current year and report to City Council annually based on December information. The City Manager will provide an operating forecast report to City Council based on September financial results each year. The City Manager will provide City Council an Annual Summary Report of Capital Improvement Projects showing the budgeted amounts and costs to date.

Administration will also report urgent or unusual financial information to the Audit Committee, Economic Standing Policy Committee or City Council on an ad hoc basis as required.

Capitalization Policy

Policy FS-14, FS-14-PR01

The City follows a policy of capitalizing the acquisition cost of tangible capital assets based on asset classification minimum thresholds ranging from \$10,000 to \$50,000. Capital expenditures less than the established thresholds are expensed as either supplies or maintenance.

The cost of a tangible capital asset with a limited life is amortized over its useful life in a rational and systematic manner appropriate to its nature and use. The amortization method and estimate of useful life of the remaining unamortized portion is reviewed on a regular basis and revised when the appropriateness of change can be clearly demonstrated. The City uses a straight-line method for calculating the annual amortization.

US Exchange

The rate of exchange paid by the City will be reviewed and adjusted within the financial system as required. It will be the responsibility of the Finance Department to communicate revised rates to the applicable staff.



