Town of Drayton Valley

STRATEGIC FINANCIAL FRAMEWORK

October 8, 2025

DRAYTON VALLEY

Table of Contents

DEFINITIONS 3
INTRODUCTION 5
PURPOSE OF THE FRAMEWORK 6
LINK TO OTHER PLANS 6
OUTCOMES 7
TOWN OF DRAYTON VALLEY 8
STRATEGIC FINANCIAL FRAMEWORK 8
GUIDING PRINCIPLES 8
FISCAL STRATAGIES, PRACTICES AND POLICIES 12
BUDGET AND EXPENDITURE MANAGEMENT 13
Linkage to Strategic Planning 14
New or Discontinued Programs or Services 16
Inflation 18
Expenditure Management & Budget Monitoring 18
Asset Management 21
Service Levels 23
REVENUE 26
Property Taxes 29
Utility Fees 33
User Fees 36
Grants and Other Government Funding 38
Local Improvement Levies 41
GROWTH MANAGEMENT 43
CASH, INVESTMENT AND RESERVE MANAGEMENT 48
Operating Surplus/Deficit 50
Investments 52
Reserve Management 53
DEBT MANAGEMENT 57
SUMMARY 62

DEFINITIONS

Accumulated Surplus

The equity that the Town has in the assets after the liabilities owed to other organizations are deducted. In theory, this is the amount that would remain if the Town immediately sold its assets and paid its liabilities; the assets and funds that can be used to provide future services or infrastructure.

Capital Expenditures

Expenditures of a non-operating or maintenance nature, greater than $5,000, such as costs to acquire equipment, land, buildings and costs associated with new infrastructure or improvements to existing infrastructure.

Debt Servicing

The amount of money required to make payments on the principal and interest on outstanding debt.

Development Cost Charges

Funds collected from developers to offset some of the infrastructure expenditures required to service new development.

Offsite Levies

Charges on developers to fund infrastructure located outside the development site but needed to support the development.

Infrastructure

The network of physical assets developed and/or used by the Town to support its social, cultural, and economic activities and services.

Infrastructure Deficit

The difference between the cost of future capital projects and the availability of financial resources to pay for them.

Level of Service

Statements of service performance delivery that are established through Council direction, the needs or wants of the community, as well as the legislative and regulatory requirements.

Life Cycle Costs

The total full costs estimated to be incurred in the design, construction, operation, maintenance, and final disposition of a physical asset over its anticipated useful life span.

Reserves

Reserves are designated portions of municipal funds that are earmarked for future expenditures, obligations, or contingencies. Reserves help municipalities plan for future capital projects, smooth out financially volatility, avoid or reduce reliance on debt and respond to emergencies.

User Fees and Charges

Refers to fees collected directly from individuals who use a specific municipal service, facility, or program. These fees are a form of cost recovery and are intended to make the users of a service pay for all or part of the cost of providing that service.

Municipal Government Act (MGA)

The primary legislation in Alberta that establishes the powers, responsibilities, and governance framework for municipalities. It governs how municipalities operate, including their authority to levy taxes, manage budgets, deliver services, regulate land use, and make decisions through elected councils.

INTRODUCTION

PURPOSE OF THE FRAMEWORK

Welcome to the Town of Drayton Valley's Strategic Financial Framework. This document is intended to provide a high-level summary of the strategic principles and practices that govern the long-term financial management of the Town of Drayton Valley.

Numerous challenges and pressures can threaten the Town's fiscal sustainability. These issues include, but are not limited to expenditure pressures, inflation, securing sustainable revenues and funding sources and pressures to keep municipal taxes affordable.

The Strategic Financial Framework (the framework) has been created to consider future financial challenges through agreed upon principles, strategies and processes with consideration of the long-term. The implementation of the framework will guide the organization in making decisions necessary to plan for financial sustainability, while maintaining a level of adaptability, to help achieve the strategic plan's vision.

LINK TO OTHER PLANS

Providing the infrastructure, services, programs, and support essential to citizens involves meticulous planning and the effective coordination of various activities, resources, and systems. Planning occurs at multiple levels, beginning with Council's vision and cascading down to the daily operations across various municipal functions. This includes the Strategic Plan, Corporate Business Plans, Department Plans and Multi-Year Budgets.

This document serves as a **foundational guide** that connects the Town's existing financial policies, reports, plans, and day-to-day financial practices. It outlines the key principles that Town Administration follows in financial planning and decision-making. It is intended to **complement**, not replace, the Town of Drayton Valley's existing financial policies, plans and documents.

Additionally, it is meant to be a document that houses all the documents mentioned in one central place for ease and understanding of how they relate to the both the Town's overall financial framework and the other policies and bylaws.

OUTCOMES

The development of the framework leads to three key outcomes:

1. **Integration into Financial Decision-Making:**
   The framework will serve as a foundational reference for all financial decisions within the organization. It will inform key processes such as master planning, capital planning, budgeting, and the handling of emerging financial issues. Specifically, the framework:
   - Defines principles of fiscal sustainability, along with the key considerations and potential impacts that should be addressed during financial decision-making.
   - Highlights major areas of fiscal planning and outlines the corresponding strategies to be implemented.
2. **Identification of Future Strategic Priorities:**
   Based on current knowledge, the framework points to areas where additional work may be needed to refine existing fiscal strategies or develop new ones.

The framework is intended to guide all financial decision-making, including matters presented to Council and other key stakeholders. At a minimum, relevant fiscal sustainability principles will be considered in relation to the issue at hand, and, where applicable, the associated strategies outlined in the framework will be referenced.

In addition, the framework introduces a new, collaborative approach that actively involves the Senior Leadership Team and, where appropriate, Council. Their engagement will be essential in providing direction and participating in discussions related to key issues, strategies, and financial analyses. Input from other stakeholders, including the public, may also be required depending on the nature of the decision.

TOWN OF DRAYTON VALLEY

STRATEGIC FINANCIAL FRAMEWORK

GUIDING PRINCIPLES

Fiscal sustainability principles have been defined as the core guidelines for evaluating all fiscal strategies and decisions. These principles are intended to be consistently applied across all aspects of financial decision-making which includes the Town's financial strategies, practices and policies.

Each principle plays a critical role in supporting the Town's long-term **fiscal sustainability** and is considered equally important. These principles are not ranked in order of priority.

There may be situations where not all principles can be fully achieved simultaneously. In such cases, professional judgment and careful consideration are required to balance competing priorities and ensure the most effective outcome.

While some principles may overlap, they generally align with the following categories:

Foundational Principles

The core financial principles guiding the framework are **sustainability**, **flexibility**, and **minimizing vulnerability**. These principles are recognized as key indicators of a government's financial health, as outlined in the Public Sector Statements of Recommended Practice (SORP-4).

1. **Sustainability:** Ensure the Town can deliver and maintain programs and services at acceptable levels of taxation, both now and in the future.

2. **Flexibility:** Maintain the financial agility to respond to changing needs and circumstances, such as economic downturns or unexpected events.

3. **Minimizing Vulnerability:** Reduce exposure to risks by limiting dependence on external funding sources and strategically allocating funding in a way that supports long-term sustainability.

Supplemental Principles

- Align financial decisions with the **Town's strategic plan** and corporate priorities.

- Deliver services **efficiently**, making the best use of available resources.

- Provide services at fair and **equitable** levels:
  • Fees and charges should reflect the value and level of service provided.
  • Whenever possible, those who benefit from services should pay for them, supporting the concept of intergenerational equity.

- Be **accountable** to and maintain **transparency** with stakeholders by clearly communicating key financial challenges, assumptions, and considerations involved in decision-making.

The principles serve as a foundation for generating key questions to guide financial decision-making. Below is the outline of the general questions linked to each principle, supporting more consistent and informed decisions.

Foundational Principle	Considerations

Sustainability	➔ What is the immediate financial impact?
	  ○ Upfront costs
	  ○ Impacts on debt, reserves, rates, other balances
	➔ What is the future financial impact?
	  ○ Operating and maintenance costs
	  ○ Replacement costs
	➔ What is the immediate and future tax rate and/or user rate impact?
	  ○ Tax rate impact for all required costs
	➔ How will this influence or impact the delivery of other organizational services?
	  ○ Are there adequate resources to sustain existing services?
	  ○ Will service levels need to be decreased or increased elsewhere?
	➔ Is it feasible/practical to maintain over time?

Flexibility	➔ What is the impact on debt capacity?
	  ○ How much debt financing will be needed?
	  ○ What is the required term of the debt?
	➔ What is the impact on reserves?
	  ○ How much reserves are required?
	  ○ How will this affect the optimal reserve balance, if applicable?
	➔ What is the impact on current and future tax rates (or other rates)?
	  ○ What are the upfront and ongoing operating costs?
	  ○ What are the associated debt servicing costs?

	○ How will this affect the organization's remaining flexibility to raise taxes or other rates in the future?
Minimize Vulnerability	➔ What funding sources are available? ○ Are grants, third-party contributions, taxes, user fees, reserves, or other sources being considered? ➔ What type of expenditure is involved? ○ Is it a one-time cost, or will it require ongoing funding? ➔ Is the funding source secure? ○ Is there a risk that the funding may not be received? ○ Will the funding be available in time to meet the project's needs? ➔ Is the funding source sustainable? ○ If future funding is required, will the source remain available over time? ➔ What other risks should the Town consider? ○ If the funding is delayed or withdrawn, what alternative options are available? ○ Are there other risks that could impact the Town (e.g., timing issues, economic or situational uncertainties)? ○ What are the consequences of not proceeding (e.g., infrastructure failure or service disruption)?

Supplemental Principle	Considerations
Strategic Plan and Corporate Priorities	➔ Does the decision support or align with the Town's strategic plan? ➔ What impact does the decision have on other organizational priorities? ○ Would anything else have to be sacrificed because of said decision? Other types of programs, services, other service levels, projects, maintenance etc?

Efficiency	➔ What are the resource requirements in terms of funding, time and staffing?
	➔ Are there other means to achieve the goal?
	➔ What other services will be impacted and how?
	    ○ Financial impact: Will this decision reduce the resources available for other services, or increase overall costs?
	    ○ Service quality impact: Will it affect the quality of existing services or create other benefits or drawbacks?

Equitability	➔ Does the perceived value of the service justify its financial cost? ➔ Are the costs of the service being covered by those who directly benefit from it?
Transparency	➔ Was there effective communication with decision-makers and key stakeholders (e.g., residents, businesses, staff, Senior Leadership Team, Council, and other relevant groups)? ➔ Were all major challenges, risks, and considerations clearly communicated to those making the decision?

FISCAL STRATAGIES, PRACTICES AND POLICIES

As previously outlined, the framework is designed to create a common understanding of the Town's existing strategies by demonstrating how fiscal sustainability principles are applied and how these strategies support informed financial decision-making.

This section details the existing fiscal strategies, practices, and policies, explores potential future strategies, and highlights the key principles and considerations relevant to each strategic area.

In this framework, fiscal strategies are defined as intentional practices and approaches aimed at achieving specific financial goals. These strategies are designed to promote the Town's financial stability and long-term sustainability. To ensure successful implementation, suitable financial policies should be established and regularly maintained. Where applicable, existing policies are linked within the relevant sections for ease of reference.

BUDGET AND EXPENDITURE MANAGEMENT

Background

The Town of Drayton Valley delivers more than 30 different core services and incurs both operating and capital costs to provide those services. The Town's operating budget includes annual expenditures exceeding $25 million per year. While the Town's capital program varies from year to year, it regularly totals millions of dollars annually. With such a significant level of spending each year, it is essential to have parameters in place to guide the responsible use of these funds as stewards of taxpayer dollars. This section outlines the principles that guide the Town's spending.

Related Policies

- Asset Management Policy
- Purchasing and Tendering Policy
- Public Consultation and Communication Policy

Linkage to Strategic Planning

Key Financial Strategies and Principles:

1. **The Multi-Year Budget process will align with the Town's Strategic Planning process, as the Multi-Year Budget provides the mechanism to allocate the resources necessary to implement the Strategic Plan.**

   The Town of Drayton Valley's Strategic Plan and Multi-Year Budget processes are closely connected. At the most fundamental level, the Strategic Plan outlines the strategic priorities of Council and the community, while the Multi-Year Budget provides the mechanism to allocate the resources necessary to support those priorities. The Multi-Year Budget process also sets the pace for implementing the Strategic Plan, considering factors such as funding availability, taxpayer affordability, competing priorities, and more.

   Given the critical linkage between these two processes, the Town of Drayton Valley's Multi-Year Budget process will consistently follow the completion of the Strategic Plan process. Throughout the development of the Strategic Plan, Town Administration will ensure that budget requirements are considered as a key input into the Strategic Plan development process. Staff involved in the budget process will work closely with those responsible for developing the Strategic Plan so that the requirements and information needs for both processes can be considered throughout the development of these essential documents.

2. **Adjustments to service levels may be implemented as a fiscal strategy to assist in managing or minimizing tax increases.**

   During the annual budgeting process, Council may consider adjusting municipal service levels as part of its approach to responsible financial management. This may include modifying or reducing service levels in specific areas to ensure alignment with available financial resources; and/or discontinuing services that are determined to be unsustainable, inefficient, or no longer consistent with community priorities.

   These measures provide Council with flexibility to manage expenditures in a way that helps minimize, or in some cases eliminate, the need for tax increases. Any decisions regarding service level adjustments will be guided by principles of transparency, equity, fiscal sustainability, and the protection of essential and core municipal services.

Future Strategies

3. **Establish a tax levy target prior to each Multi-Year Budget cycle to set budget parameters for that cycle. During deliberations on the Multi-Year Budget and subsequent Annual Budget Updates, Council should remain mindful of adhering to this target.**

   While the Strategic Plan is a key prerequisite for developing the Multi-Year Budget, establishing a tax levy target is equally important in preparing for a Multi-Year Budget cycle. Upon completion of the Strategic Plan, but before detailed work on the Multi-Year Budget begins, Town Administration will present a report to Council to set budget parameters for the cycle through the approval of a tax levy target. This target, covering the four-year period of the Multi-Year Budget cycle, provides Town Administration with the funding framework needed to determine the pace of implementing Council's Strategic Plan.

   At its core, the Multi-Year Budget process addresses the costs of maintaining existing service levels, as well as opportunities for additional investments or potential reductions/disinvestments. Establishing a tax levy target upfront clarifies the funding available for new initiatives after accounting for the costs of maintaining current services and any contemplated reductions.

   Although circumstances may change during a Multi-Year Budget cycle, it is important to remain mindful of the tax levy target set at the outset. This is particularly relevant when new opportunities or pressures arise during annual updates to the Multi-Year Budget. In reviewing each annual budget update, or any reports presented to Council in the interim, it is important to consider how each decision may affect the tax levy target and weigh that impact against the benefits of the issue being addressed.

4. **Make best efforts to ensure that Drayton Valley residents are informed and engaged on budget and tax levy setting decisions, with a variety of channels and opportunities for engagement.**

While Council is the ultimate decision-maker regarding budget and tax levy matters, it is essential that residents of the Town of Drayton Valley are informed so they can provide meaningful feedback to their elected representatives. Accordingly, Town Administration will continue to implement a robust public engagement program for these important processes. The goal of this program is to educate and inform residents about the municipal budget and tax-levy process, the various components of the municipal budget, the decisions being considered by Council, and how residents can get involved and provide their input.

A key element of the public engagement program is using a variety of channels and formats to create multiple opportunities for residents to participate. This will include, but is not limited to:

- Both in-person and virtual formats;
- Ensuring in-person events are held at locations that are geographically accessible within the Town;
- Compliance with all accessibility standards to ensure materials are available to all residents;
- Using a variety of mediums (e.g., radio, print, social media, etc.) to reach the widest possible audience;
- Plain and simple language wherever possible to reduce the complexity of the topics;
- Highlighting the numerous ways residents can provide feedback to Council.

New or Discontinued Programs or Services

Key Financial Strategies and Principles:

5. **Only introduce or significantly change programs or services after consideration of a comprehensive business case for that program or service, inclusive of financial implications, benefits to the community, risks of both proceeding and not proceeding, etc.**

The Town of Drayton Valley's Multi-Year Budget generally has three main components:

- Maintaining existing service levels
- Considering new investments
- Reviewing potential reductions or disinvestments

Any new investment or reduction should be supported by a clear business case outlining financial and staffing impacts, benefits to the community, risks, and measurable outcomes.

Whenever possible, new programs or changes to existing services should be considered through the Strategic Plan and Multi-Year Budget process to ensure a full comparison with other priorities. In urgent or time-sensitive cases, proposals may be reviewed outside this process, but the same thorough analysis must be applied. Ultimately, final funding decisions should be made within the Multi-Year Budget process to allow for informed, balanced decisions.

6. **Consider the total cost when evaluating new initiatives, including both one-time and ongoing operating expenses, as well as any cash flow requirements, and weigh these against the benefits to the community.**

It is very rare for new initiatives to involve only one-time costs; most include both up-front implementation costs and ongoing expenses. This is especially true for capital projects. It is essential to consider not only the initial cost of a new initiative, but also the annual costs of operating and maintaining the asset, program, or service over time. In many cases, these ongoing costs over several years may exceed the initial investment.

Cash flow requirements and timing associated with a new initiative should also be considered, as they are important for managing the Town's liquidity. They are also significant from the perspective of the time value of money. For example, a new initiative may not generate substantial cost savings until many years in the future, meaning those savings are worth less in today's dollars. These future savings should be weighed against the short-term benefits to the community, both financial and non-financial, of proceeding with the initiative.

7. **Avoid taking on new services without first considering long-term exit or discontinuation strategies.**

Reducing or eliminating a program or service is often more difficult than introducing a new one. There are residents who benefit from every program or service the Town provides, and any consideration of reduction or elimination is likely to meet resistance from those who value the service. This can make it challenging to proceed with planned changes.

For this reason, it is important to take a long-term perspective when considering new programs or services, especially those introduced on a "temporary" or "pilot" basis. Before approving funding for a temporary or time-limited initiative, the Town should consider a potential exit strategy in case the program or service is not continued permanently. This includes setting clear expectations about the duration of the initiative and regularly communicating the short to medium term nature of the program if ongoing, permanent funding is not secured.

Inflation

Key Financial Strategies and Principles:

8. **Where possible, inflationary impacts are consistently identified across all services and based on appropriate, supportable indicators.**

The Town of Drayton Valley's Multi-Year Budget has three main components, with the largest being the budget to maintain existing service levels. Inflation is a key factor that affects both operating and capital budgets. Costs for goods and services in the future are generally higher than today, so it's important to include estimates for inflation in the budget.

Different types of spending are affected differently by inflation, so the Town uses several indicators to guide budget planning, including:

- Consumer Price Index (CPI): Measures general price changes in the economy.
- Wage indicators: Help estimate increases in personnel costs, which make up a large part of the budget.
- Construction cost indexes: Track changes in building and infrastructure costs, which inform both capital and related operating budgets.

By considering these factors consistently across services, the Town ensures budgets are realistic and able to maintain service levels over time.

Expenditure Management & Budget Monitoring

Key Financial Strategies and Principles:

9. **The value of taxpayers' dollars should be carefully considered in all proposed expenditures.**

The Town is ultimately the steward of taxpayer funds, regardless of how they were collected. As such, it is essential that value for money be considered in all proposed expenditures, no matter the dollar amount. This responsibility applies to all service areas and employees of the Town.

To support this and ensure value for money, the Town maintains strong procurement practices and a comprehensive Purchasing and Tendering Policy, which outlines the processes that must be followed when spending Town funds.

10. Budgets will be regularly monitored to ensure that allocated resources are used effectively and efficiently.

Budgets are monitored continuously throughout the year to track actual spending against approved budgets. Through close collaboration between the Finance team and the Town's various service areas, this ongoing monitoring helps ensure resources are used efficiently and effectively, while also identifying potential issues early so that corrective or mitigating actions can be taken.

Additionally, operating and capital budget results are reported to Council on a quarterly basis to keep members fully informed of current spending. This regular reporting also allows for timely adjustments, helping to ensure the year concludes without an unexpected deficit.

11. Exercise caution when considering whether to take on services or programs where there is pressure to "fill in" for responsibilities that typically fall to other levels of government.

Changes at the federal or provincial level can affect both funding and responsibilities for municipal services. Sometimes, services traditionally managed by other governments are transferred to the Town, often with funding, but it's important to ensure that funding keeps up with the cost of providing these services over time.

When taking on new or expanded responsibilities, whether legislated or not, the Town should carefully consider the financial impacts, future obligations, and potential opportunity costs. A full financial analysis should be completed to ensure decisions are well-informed and both the short- and long-term implications are clearly understood.

12. Commitment to making the best use of staff time and resources while continuing to deliver high-quality services to the community.

To promote efficiency, Town Administration establishes clear roles and responsibilities for staff, provides opportunities for training and skill development, and supports an employee recognition program where staff can acknowledge each other's achievements. Departments are encouraged to collaborate, improve communication, and eliminate duplication of tasks. High-quality, efficient work is recognized to foster a positive work culture and boost morale. Additionally, staff are encouraged to use technology effectively and adopt streamlined workflows to save time.

By working efficiently, staff help the Town reduce costs, deliver better services, and ensure that every tax dollar is used wisely.

Asset Management

Background

Balancing the community's expectation for affordable services with the need to adequately fund asset maintenance is essential to the Town's long-term sustainability. Capital assets—such as facilities, fleet, equipment, recreation amenities, signage, roads, and utility infrastructure—are the foundation for delivering Town services. Their performance and availability directly affect public health, safety, economic growth, and overall quality of life. When assets are not properly maintained, these outcomes can be put at risk. Deferring maintenance or replacement not only leads to a decline in asset condition but also increases future repair and replacement costs.

Key Financial Strategies and Principles:

13. **All services have clearly defined levels of service that balance expectations and regulatory requirements with risk, sustainability, affordability, and available resources.**

    Defined service levels provide clarity on what residents can expect, help prioritize resources, manage risks, and ensure services remain sustainable and affordable.

14. **Ensure any new or optional services are supported by community needs and willingness to pay.**

    New or optional services should reflect genuine community priorities and the ability to fund them, ensuring resources are directed toward initiatives that deliver real value.

15. **Utilize a risk and fact-based decision-making framework that considers potential impacts to residents when evaluating decisions on renewal or replacement of the asset base.**

    Decisions on asset renewal or replacement should be based on evidence, lifecycle data, and risk assessment, prioritizing investments that protect service reliability and minimize impacts to residents.

16. **Focus on maintaining, upgrading and ensuring the optimal performance of existing assets to sustain the current level of service.**

    Routine inspections, repairs, and necessary updates will be prioritized to ensure that all assets continue to meet operational requirements without compromising the established standards of performance. Budget and resources will prioritize preserving the existing asset capabilities and functionality, before expanding or acquiring new assets.

Furthermore, asset preservation isn't just about functionality, it's also about protecting people and maintaining safe conditions in all Town facilities, infrastructure, and services.

Future Strategies:

17. Develop an asset-class-specific Asset Management Plans (AMP) for critical infrastructure.

The results are short- and long-term strategies including maintenance, rehabilitation and replacement, and cost. Coordinated with related asset classes like roads and the utilities underneath them. The foundational data required is a complete inventory, age, condition, and replacement cost.

The AMPs will be integrated with the upcoming regional master plans for transportation and utilities. The outcomes of the Asset Management Plans (AMPs) serve as a key input for the Town's 10-year capital and operating budget forecasts, guiding investment priorities, resource allocation, and long-term financial planning.

AMPs are living documents that are continuously updated and refined, incorporating lessons learned from each capital project and adapting to evolving priorities and available resources

Currently the Town is compiling foundational data for sidewalks. Foundational data for Water, Sanitary, Storm, and Roads have already been compiled. Currently foundational data is being compiled for Sidewalks. In total, this represents approximately 18,000 assets. Summaries of this data will be presented to Council in Q4 2025 to support the 2026 budgeting process.

Next, foundational data will be compiled for Fleet, the Aquatic Centre and Water Treatment process equipment, and critical facility assets such as HVAC and fire suppression systems. Summaries of this data will be presented to Council once it's been completed.

Service Levels

Background

The operating budget and capital plan are designed to reflect the community's needs and priorities, informed both by Council's representation of constituents and by input from diverse community stakeholders. Programs and services are planned and delivered in alignment with the Corporate Strategic Plan."

Key Financial Strategies and Principles:

18. **Programs and services are assessed informally to determine their contribution to the Corporate Strategic Plan.**

    Reviews of program revenues and service reductions are typically conducted on an ad hoc, reactive basis rather than through a structured strategic process.

    Once a formal evaluation framework is established, the Town will be better equipped to make informed decisions about adding, modifying, or discontinuing services in line with Council's strategic goals. Over time, this evaluation process will also be integrated with public engagement efforts.

Future Strategies:

19. **A service review program will be used to regularly evaluate the Town's programs, services, and operations for efficiency and effectiveness.**

    Any financial impacts identified through the service review program will be incorporated into the Multi-Year Budget or Annual Budget Update process.

    As noted previously, ensuring value for taxpayers' dollars is a top priority for all services and employees across the Town. One way to achieve this is through a service review program, which explores opportunities to improve efficiency and effectiveness in the Town's operations. The Town aims to maintain a strong service review program that uses a variety of tools from time to time to identify potential opportunities:

    - **Zero-based Budget Reviews** – This methodology builds a budget "from the ground up" to achieve the planned level of service.
    - **Asset Reviews** – Assess physical assets to determine their future and identify any candidates for disposal or sale.
    - **Program Reviews** – Conduct a detailed analysis of existing programs or services provided by the Town.

- **Continuous Improvement** – Teams from various service areas work together to identify and eliminate non-value-added activities, streamline processes, and improve value for residents.
- **Organizational Reviews** – Ensure the Town's organizational structure supports strategic priorities, leverages best practices, enhances collaboration, and eliminates duplication. The goal is efficient, effective structures that deliver optimal service and allow flexibility for future growth and increased workload.
- **Internal Audit** – An independent, objective assurance and consulting activity designed to add value and improve the Town's operations.

It is important to note that service reviews may not always lead to cost savings or budget reductions. Instead, they can create additional capacity in Town operations to manage increasing workloads or identify areas where additional investment is needed to achieve program or service objectives. When service reviews do identify opportunities for budget reductions, these impacts are incorporated into a business case within the Town's Multi-Year Budget or related Annual Budget Update. The service review program is a common source of business cases for potential reductions or disinvestments, which are a key component of the Town's Multi-Year Budget process.

The following policies will be created to strengthen the Town's portfolio of financial policies and bylaws as it relates to Budget and Expenditure Management:

- Multi-Year Budget Policy

Alignment with Principles

The primary fiscal sustainability principles that are relevant to Budget and Expenditure Management and some of the questions they generate are:

Sustainability:

- Are the budgets balanced in a way that avoids relying on one-time revenues for ongoing operational costs?
- Are sufficient transfers to reserves budgeted each year?

Flexibility:

- How adaptable is the budget to unexpected changes in revenues or expenditures?

Strategic Plan and Corporate Priorities:

- Does the budget align with the long-term community priorities and strategic plans, not just the immediate needs?
- Are departmental budgets linked to performance measures or outcomes tied to corporate priorities?
- How are requests for funding that fall outside the current Strategic Plan or corporate priorities handled?

Equitability:

- Do we report transparently on how resources are distributed and who benefits?

REVENUE

Background

The Town of Drayton Valley generates revenues from a variety of sources and the diversity of these revenue streams is critical to the strength and sustainability of the Town's finances. Property taxes represent the most significant revenue stream, but other sources of revenue include user fees for certain programs or services, operating and capital grants from other levels of government, etc. This section outlines the principles relevant to the Town's various revenue streams, including how and the priority in which they should be utilized.

General Principles

1. **Non-recurring revenues should only be used to fund non-recurring expenditures; only recurring revenues should be used to fund permanent programs with ongoing costs.**

   In developing financial plans and budgets, the Town takes great care to match its expenditures with revenues of a similar nature. Generally, ongoing expenditures should be funded by ongoing revenues. Similarly, one-time or time-limited revenues should only be used to fund expenditures (operating or capital) that are similarly time-limited in nature. Only in very limited circumstances, such as the strategic use of drawdowns from reserves to smooth tax levy increases, would it be appropriate to utilize one-time funding sources to pay for ongoing expenditures. Even in this case, there are limits on the appropriateness of this strategy, as articulated later in this section

   This principle is important to ensure stability in tax levy increases by avoiding fluctuations in tax levy needs. Should ongoing expenditures be funded by time-limited revenues and those revenues are no longer available (e.g. expiry or cancellation of federal or provincial funding program, insufficient reserve availability to fund the expenditures, etc.), an unfortunate choice is required between reducing the associated expenditures (with the corresponding program or service level impacts) or implementing a tax levy increase (perhaps at an inopportune time) to pay for those expenditures.

2. **Alternate sources of revenue should be considered to cover only those expenses that are linked to them.**

   This principle builds upon the previous one and reflects a fundamental financial concept: aligning expenditures with the revenue sources that fund them. Alternative revenue sources, such as grants or user fees, are typically less stable and predictable than property tax revenues. For instance, grants from higher levels of government often come with defined eligibility periods and can be affected by shifts in political priorities. Similarly, revenue from user fees can vary based on program demand, which may fluctuate due to economic conditions, demographic trends, or participant preferences.

Relying on these less predictable sources to fund core municipal operations, rather than specific programs or projects can pose risks. Should these revenue streams decrease or disappear, the result would be a budget shortfall that must be addressed either by reducing expenditures or increasing property taxes.

This underscores the importance of matching external or user fee funding to the specific programs or services they support. If the funding ends, the corresponding services can be scaled back accordingly, minimizing disruption to the overall budget.

3. **Carefully manage its dependence on external funding sources (such as grants and other contributions) to minimize the risk of financial shortfalls if those sources are significantly reduced.**

External funding for Town programs or services is generally highly beneficial, as it helps reduce the reliance on property tax revenues, and other internal sources. However, it is essential that such funding be used carefully and in alignment with the guiding principles outlined in this section to avoid creating future challenges.

As previously noted, external funding is often less stable and predictable than property tax revenues. For instance, depending on a time-limited funding program to support essential, ongoing lifecycle renewal projects for critical infrastructure is not a sustainable strategy, as a permanent funding source will ultimately be required.

Equally important is the need to manage public expectations around the use of external funding. For example, infrastructure stimulus programs offered by higher levels of government, often in response to economic downturns, can present valuable opportunities for the Town to fast-track high-priority projects. While these programs are welcome, it's critical to emphasize their temporary nature. Once the stimulus funding ends, related expenditures must also be scaled back accordingly. This adjustment can be difficult for the community, especially if there is an expectation that the enhanced pace or scope of work will continue indefinitely.

Therefore, clear communication and expectation management are essential to ensure the community understands the limitations of external funding and to prevent long-term dependence on sources that may not be sustainable.

Examples of non-recurring (or inconsistent) revenues for the Town include investment income, donations and franchise fees.

4. **Prioritize the use of external funding, such as grants and contributions from other levels of government, when covering expenditures to maximize the benefit of these opportunities. Other revenue sources, including the tax levy, user fees, development charges, reserves, or debt, should only be used once external funding options have been fully utilized.**

   Funding from other levels of government is, by nature, unpredictable. When such funding becomes available, it is essential that the Town use it in a way that maximizes its value. Accordingly, the Town generally applies external funding first to the related operating or capital expenditures, using other revenue sources only to cover any remaining costs.

   This approach, however, depends on meeting the eligibility requirements attached to the external funding. In some cases, funding may come with cost-sharing conditions that require the Town to contribute a portion of the costs, even if the external funding exceeds the actual expenditure. When municipal contributions are required, the Town must ensure that matching funds are available, without compromising funding, for other approved and essential projects.

   It is also important to consider the other guiding principles outlined in this section when making decisions about external funding—such as ensuring alignment with the strategic plan and accounting for any ongoing operating costs.

Property Taxes

Key Financial Strategies and Principles:

5. **Maintain property taxes as stable and predictable as possible over time, minimizing year-to-year fluctuations. This approach provides taxpayers with greater certainty in financial planning, while supporting long-term fiscal sustainability and responsible municipal budgeting.**

   The Town of Drayton Valley aims to keep property taxes stable over time, with increases generally reflecting inflationary cost pressures in Alberta. While this remains a core commitment of the Town, establishing a tax rate stabilization reserve will be an important tool in supporting this objective. Further details on the tax rate stabilization reserve are provided in both the revenue, cash and debt management sections of this document as well as in the 'Future Strategies' below.

6. **Present property tax information in a transparent, accessible, and easy-to-understand manner. The Town of Drayton Valley is committed to ensuring that taxpayers clearly see how their taxes are calculated, how funds are allocated, and how tax decisions support community priorities.**

Town services, taxation, budgeting, and financial results will be readily accessible and communicated in plain language. The Town of Drayton Valley will also invite and encourage public engagement throughout the annual budget process as discussed in the Budget and Expenditure Management section of this document.

7. Property taxes in the Town of Drayton Valley will be regularly compared to those of similar communities to ensure competitiveness and fairness.

The Town of Drayton Valley serves as a regional hub, with significant industrial activity in the surrounding area. Town services and amenities play an important role in attracting site selection and business relocation.

A competitive economic development strategy considers real estate, housing, services, amenities, and taxation. Consequently, a strong and stable tax framework supports the attraction and retention of investment and the associated skilled workforce.

Currently, Town Administration compares property taxes using the following municipalities as benchmarks:

- Town of Edson
- Town of Whitecourt
- Town of Westlock
- Town of Rocky Mountain House
- Town of Ponoka
- Town of Innisfail
- Town of Hinton

A comprehensive comparative analysis of municipal taxes will be undertaken and presented to Council once per Council term, ideally at the beginning of the term to help inform strategic decision-making.

8. Council has the authority to set separate tax rates for residential and non-residential (commercial/industrial) properties.

As part of the annual budget process, Council has the authority to set separate tax rates for residential and non-residential properties. This flexibility allows Council to balance the need for fair taxation with the broader goal of promoting economic development within the community.

By applying different rates to property classes, Council can support and encourage commercial growth and investment by setting competitive non-residential tax rates as well as maintain residential tax rates that are fair, transparent, and aligned with community service expectations.

This also ensures that the overall tax framework remains fiscally sustainable and equitable across property classes.

This strategy provides Council with a tool to help advance commercial development, diversify the local economy, and reduce the community's reliance on residential property taxes, while still safeguarding the Town's long-term financial stability.

9. **Special levies may be considered in certain circumstances when funding is designated for a specific purpose, and it is beneficial to separate this levy from the general property tax levy.**

   While the Town of Drayton Valley has not historically made extensive use of "special levies," this tool may be appropriate in certain circumstances. It is important to note that a special levy remains part of the overall tax burden for taxpayers, whether it is applied separately or included in the Town's general levy.

   Special levies also carry additional administrative requirements, which must be weighed against their potential benefits.

   In some cases, however, funds may be required for very specific purposes or expenditure needs, and implementing a special levy may be the most effective approach. If a special levy is pursued, clear parameters must be established—such as the levy's duration, initial amount, and any planned annual increases. In addition, governance protocols should be put in place, including transparent reporting to the community on how the funds are used.

Future Strategies

10. **Where appropriate, fluctuations in tax levy requirements should be smoothed to maintain stability in property tax increases.**

    Generally, the Town of Drayton Valley will aim to avoid significant year-to-year fluctuations in tax levy requirements to provide greater predictability for taxpayers. While this is the preferred approach, occasional changes in the Town's budget requirements may, if unaddressed, lead to corresponding fluctuations in tax levy requirements. In such cases, the Town will seek to smooth tax levy increases using "shock absorbers," which may include strategic draws from reserves, or careful management of debt levels. It is important to note, however, that these decisions will be made prudently, with due consideration of the Town's current financial position and the other guiding principles outlined in this document.

To support this approach, the Town must maintain a reserve that receives regular contributions and is available for use on special occasions. Further details are provided in the Cash, Investment and Reserve Management section of this document.

11. **The strategic use of one-time funding sources to smooth property tax increases should be phased out, at the latest, by the final year of a Multi-Year Budget period.**

When the Town of Drayton Valley elects to "smooth out" tax levy requirements, this is typically done on a one-year or otherwise very short-term basis. At a minimum, the strategic use of these one-time funding sources will be removed by the final year of a Multi-Year Budget period. Failure to do so could create additional tax levy pressure in the first year of the next Multi-Year Budget, potentially limiting a future Council's ability to fund new priorities identified through the strategic planning process due to previous decisions that have not yet been fully reflected in the tax levy.

12. **Tax levy requirements for the Town of Drayton Valley should be considered both from a long-term perspective as well as in the context of shorter-term tax levy needs.**

The Town of Drayton Valley should adopt multi-year budgeting to shift the focus from annual budget and tax levy discussions to a longer-term perspective that complements short-term needs. Approving budgets and tax levy increases over a four-year period enhances transparency, with an average annual tax levy presented for each cycle to provide a broader view.

A longer-term approach also helps manage unusual budget pressures. A significant tax levy increase in one year can be balanced by smaller increases in subsequent years, allowing competing priorities over the four-year period to be scheduled efficiently. By considering average tax levy requirements over time, transparency is improved and potential contention in budget deliberations is reduced.

13. **The Town of Drayton Valley's tax policies should be reviewed regularly.**

The relationship between the budget process and the tax policy process can be illustrated using the analogy of a pie. The budget process determines the size of the pie, while the tax policy process determines how that pie will be divided. The tax policy process occurs separately, following the budget process, and establishes how the tax burden will be allocated among the various property classes (e.g., residential, multi-residential, commercial, industrial, etc.). The Town of Drayton Valley's tax policy will be reviewed regularly and conducted within the parameters set by the Province of Alberta by legislation and regulations.

Utility Fees

Background:

Utility fees follow a user-pay philosophy, where the actual cost of providing the service is covered by user fees. Water, sewer and solid waste services are user funded. Rates are managed to ensure that adequate funds are raised to cover current and future needs. To develop a sustainable service delivery costing framework that prioritizes infrastructure renewal, growth, and customer service, pricing must generate enough revenue to fully cover the lifecycle costs of both current and future assets, including provisions for expansion and asset replacement.

As previously mentioned, the fees collected must be adequate to fund both current and future infrastructure upgrades. However, this approach is only effective if enough of the annual surplus is allocated to a reserve dedicated to future infrastructure replacement and is not used for general operations.

Key Financial Strategies and Principles:

14. **Annual utility revenue requirements will be determined based on the full lifecycle costs of providing the desired levels of service, including any enhanced or additional services, while also accounting for inflation and the community's long-term priorities.**

    Annual utility revenue requirements will be established using a full lifecycle cost approach. This means that the Town will account for all costs associated with delivering utility services, not only the day-to-day operating expenses such as staffing, energy, and routine maintenance, but also the longer-term costs of asset renewal, capital replacement, debt servicing, and regulatory compliance. By incorporating the entire lifecycle of utility infrastructure, the Town ensures that sufficient funds are available to maintain reliable service delivery both now and in the future.

    This approach ensures that utility rates are fair, transparent, and sustainable. Ratepayers contribute in proportion to the cost of the services they use, while the Town is able to responsibly manage its infrastructure, protect service quality, and align financial planning with broader community priorities such as environmental stewardship, resilience, and long-term affordability.

15. **Adjustments to annual utility fees will be stable and predictable. Everyone contributes to the services they use and benefit from.**

    Adjustments to annual utility fees will be made in a way that is both stable and predictable, avoiding sudden or unexpected fluctuations for residents and businesses. The principle behind this approach is that everyone should contribute fairly to the services they use and benefit from. Every property owner is responsible for paying for the utilities they consume, such as water and sewer services, ensuring that costs are distributed equitably across the community.

To achieve this, the Town relies on a comprehensive utility rate study that projects future operational requirements, capital replacements, and regulatory obligations. By basing rates on long-term needs rather than short-term pressures, the Town can set utility fees that are both fair and financially sustainable. This practice helps safeguard the Town's ability to maintain reliable infrastructure, preserve service levels, and manage future challenges without creating unexpected financial burdens for ratepayers.

Future Strategies

16. The Town will maintain its self-sustaining approach to utility operations by continuing to apply the utility rate model.

A Self-Sustaining Utilities Policy will be developed to reinforce this approach, including establishing target reserve levels and defining expectations for return on investment.

The Town has historically undertaken a comprehensive utility rate review study every four years to guide the setting of utility rates. These studies relied on the best available information at the time, using projected capital upgrades to estimate long-term cash requirements and funding needs. While this process provided a solid foundation, it was limited by the fact that projections could become outdated as circumstances changed between reviews.

Looking ahead, the Town is transitioning to a more dynamic and responsive program that allows for real-time projections. With this new system, any time a regulatory change is introduced, or a capital replacement need is identified, the information can be immediately incorporated into the financial model. This means the Town can instantly review the impacts on utility rates, reserve balances, and cash flow. In turn, Administration can respond more nimbly, adjusting plans and financial strategies proactively rather than waiting for the next formal review cycle. This modernized approach not only improves financial planning accuracy but also enhances transparency and adaptability, ensuring that utility operations remain both sustainable and resilient.

17. Implement a strategy to progressively increase contributions to utility reserves until the recommended annual transfer levels are reached, enabling utility surpluses to be directly used for infrastructure replacement.

Utility rates are established with the long-term sustainability of the system in mind. They are designed to ensure that future capital replacements and necessary upgrades can be funded without creating an undue financial burden. While some manageable debt financing may be used, it is considered prudent financial practice to dedicate a portion of utility revenues into reserves. These reserves act as a savings mechanism so that when significant infrastructure replacements, regulatory compliance upgrades, or unexpected repairs are required, the Town has the financial capacity to complete the work. This approach helps avoid sudden rate spikes, ensures projects can move forward without delay, and maintains consistent levels of service to the community over time.

18. **Improve reporting to more clearly separate utility-related debt, capital, and operating activities from tax-supported operations, reinforcing the status of Utilities as a self-sustaining entity.**

Reporting practices will be enhanced to provide greater clarity and transparency by distinctly separating utility-related financial activities from tax-supported operations. This includes clearly differentiating debt incurred for utility infrastructure projects, capital investments required for system renewal or expansion, and the ongoing operating costs of delivering water, wastewater, and related services.

By presenting utility finances independently, the Town reinforces the principle that Utilities are managed as a self-sustaining entity. This approach ensures that the revenues collected through utility rates are used to support utility services, and not to subsidize other municipal programs funded by property taxes. Improved reporting will also provide ratepayers, Council, and

Administration with a more accurate picture of the true cost of providing utility services, strengthening accountability and supporting informed decision-making.

Separating utility finances in this way builds public confidence, highlights the long-term sustainability of the utility model, and provides a solid foundation for future rate-setting, reserve management, and capital planning.

User Fees

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 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.

Key Financial Strategies and Principles:

19. **All user fees and charges are reviewed by Administration and Council annually during the service planning and budgeting process.**

    When Council directs user fees to be introduced or adjusted outside of this process, those changes will be reflected in the subsequent service plans and budgets or annual adjustments.

20. **Cost of service principle: The Town should have a complete understanding of how much it costs to provide a good or service before setting a fee.**

    All user fees recommended by Administration will be informed by a pricing methodology appropriate to the type of fee being charged. User fees are based on the full financial cost of providing the service, including all direct costs and allocations for indirect, overhead, and future costs.

    Calculating full financial cost does not mean that all financial costs incurred must be recovered through user fees. This leads to the next principle.

21. **User fees are based on an estimation of the value of the societal benefit associated with an individual's consumption of the good or service.**

    This includes the balance of social benefits and costs, the balance of environmental benefits and costs, and the balance of economic benefits and costs.

22. **Benefits principle: Those who benefit from the use of a service, whether individuals or society, should pay for that service.**

    The benefits principle holds that the costs of a service should be borne by those who directly benefit from it, whether those beneficiaries are individual users or society as a whole. For example, individuals who use recreational facilities, transit services, or utility services should contribute to the cost of providing those services through user fees or charges. Similarly, services that benefit the broader community, such as public safety, fire services, or road infrastructure, may be funded through general taxation, reflecting the collective benefit to society. This principle ensures fairness in the allocation of costs, promotes efficient use of resources, and encourages accountability in service delivery.

Future Strategies

23. Continue to strengthen the linkage between those who benefit from Town services and those who pay for them, while identifying alternative revenue sources across all areas of operations to ensure funding is appropriately allocated to infrastructure and service provision.

The Town will continue to reinforce the principle that those who benefit from municipal services should also contribute fairly to the cost of providing them. This "beneficiary pays" model ensures that utility rates and other user fees are structured in a way that aligns payment with actual consumption and level of service received. By doing so, the Town promotes fairness and accountability, while reducing reliance on general property taxation to subsidize services that are more appropriately funded by direct users.

At the same time, the Town recognizes that sustainable service delivery requires a diversified revenue base. To this end, efforts will persist in identifying and pursuing alternative sources of revenue across all areas of municipal operations. Examples may include grants, partnerships, development levies, or other innovative funding mechanisms. These complementary sources of revenue help offset costs, reduce the pressure on utility rates and property taxes, and ensure that funds are appropriately allocated to the infrastructure and services for which they are intended.

By strengthening the link between users and payment, while also broadening the range of funding sources, the Town can ensure that services remain equitable, financially sustainable, and resilient to future demands. This dual approach provides a solid foundation for maintaining infrastructure, adapting to growth, and continuing to meet the long-term needs of the community.

Grants and Other Government Funding

Background

Municipal governments in Alberta have traditionally relied on a variety of Provincial and Federal grant programs to support ongoing capital improvements. These grants have played an important role in helping municipalities maintain and expand infrastructure without placing the full burden on local ratepayers. In recent years, however, many of the grant streams that the Town of Drayton Valley previously depended on have been consolidated, reduced, or in some cases eliminated altogether. This reduction has created greater uncertainty in long-term financial planning, as the availability and size of grants can no longer be assumed year to year.

Given the unpredictability of external funding, it is essential for the Town to establish clear and prudent practices when incorporating grants into its financial framework. This includes treating grants as supplementary funding rather than as a guaranteed revenue source, aligning grant applications with Council's strategic priorities, and ensuring that projects relying on grants have contingency plans in place should funding not materialize. By adopting disciplined practices, the Town can continue to leverage available grants effectively, while also protecting its ability to deliver programs, services, and capital projects in a sustainable and predictable manner.

Key Financial Strategies and Principles:

24. **Establish its own capital priorities based on local needs and long-term planning objectives.**

    Any new infrastructure programs or funding initiatives introduced by the Federal or Provincial governments should be carefully evaluated in the context of the Town's existing priorities and financial capacity. This ensures that external programs are leveraged in a way that supports the Town's strategic goals, while maintaining fiscal responsibility and the ability to fund essential projects independently.

    As noted previously, the availability of external contributions, particularly funding from other levels of government, is generally a positive for Drayton Valley and alleviates the burden on other funding sources, such as property taxes. However, when contemplating whether to access a particular funding program offered by the federal or provincial government, it is important to pause and consider how that funding opportunity fits within Drayton Valley's overall needs and priorities.

    Town of Drayton Valley financial resources are limited and should be directed to the priorities of Council and the community. There may occasionally be funding programs that are extraneous to the core needs and priorities of Drayton Valley. In these cases, it may be more prudent to pass on the opportunity in lieu of directing finite resources to the Town's core priorities. This assessment needs to be completed on a case-by-case basis and needs to consider the Town's financial capacity, amount of funding available through the program, cost sharing requirements and fit with the Town's planned capital program, Strategic Plan and Corporate Plan.

25. **When accepting other government funding for capital expenditures, the Town shall ensure that an identified funding source is available to support the ongoing expenditures of the related capital asset.**

This strategy goes along with the one above. An important consideration when pursuing funding for capital expenditures from other levels of government is the ability to fund the ongoing operating expenditures of the related asset to be constructed with the funding. Prior to accepting funding for capital projects, the Town should ensure that a plan is in place to fund the eventual operating costs associated with those assets. If this funding is not currently available, or a plan identified to secure this funding, the funding opportunity should not be pursued.

26. **Actively explore all available other government funding programs and other sources of revenue on an ongoing basis, noting that eligibility, applicability and project specifics will limit the Town's opportunities under certain programs.**

Town administration tries to stay up to date on available funding programs and upcoming opportunities. At any time, there are typically dozens of active funding programs offered by both the federal and provincial governments and related agencies. However, very often the Town is ineligible for some of these programs. As an example, some funding programs are restricted to larger (or smaller) municipalities. Similarly, funding programs may be offered for programs or services that are not provided by the Town. There is unfortunately little that the Town can do in these circumstances, other than ensure that our partners at other levels of government are aware of Drayton Valley's unique challenges and opportunities.

Additionally, the timelines on certain funding programs may be such that the Town does not have projects that can be completed by the program end date. This situation is more within the Town's control, and an inventory of "shovel ready" projects is maintained by the Town's various service areas to avoid this challenge.

Finally, it is important that the Town carefully consider taking on projects simply because grant funding is available. The projects taken on should align with the Town's Strategic and Corporate plans.

Future Strategies

27. **In planning for long-term capital projects, managing municipal debt, and maintaining reserves, the Town will only consider grants that have been formally announced or guaranteed.**

    This conservative approach ensures that financial projections and planning are based on reliable and secure sources of funding, rather than on anticipated or speculative grant allocations. By excluding unconfirmed funding, the Town minimizes the risk of overcommitting resources, helps maintain fiscal stability, and ensures that essential infrastructure projects can be completed even if external funding does not materialize. This practice supports responsible debt management, prudent reserve planning, and the sustainable delivery of capital programs that align with the Town's long-term priorities

Local Improvement Levies

Background

A local improvement levy is a mechanism that allows municipalities in Alberta to recover the cost of specific infrastructure projects that benefit a defined group of properties. Unlike general municipal taxes, which are spread across all taxpayers, a local improvement levy is applied only to those properties that directly benefit from the improvement. Typical projects funded this way include sidewalks, street paving, street lighting, stormwater drainage, or other infrastructure upgrades along a specific street or neighborhood.

Key Financial Strategies and Principles:

28. The decision to implement a local improvement levy is usually guided by a combination of need, fairness, funding capacity, and legal requirements.

When the Town decides to use a local improvement levy, it carefully considers a few key factors:

Need: Is the project necessary for safety, service, or compliance?

Fairness: Do the properties benefiting from the project pay for it, rather than everyone in town?

Funding: Can the Town cover the cost in other ways, or is a levy the most practical option?

Legislation: Does the process follow the *MGA*, including notifications, petitions, and Council approval?

By looking at these factors, the Town ensures that improvements are funded fairly, responsibly, and transparently, with costs assigned to those who directly benefit.

Future Strategies

29. Expand the use of local improvement levies as an effective mechanism to fund projects requested by residents that primarily benefit a limited number of properties, rather than the broader taxpayer base

In such cases, Administration will make a concerted effort to present the local improvement levy as a viable funding option before deciding to cancel or defer the project entirely. This ensures that projects with clear community support and tangible benefits are carefully evaluated for alternative funding methods, allowing property owners who directly benefit to have the opportunity to contribute. By exploring this option first, the Town can maximize the likelihood that important, localized improvements are delivered without placing an undue burden on the broader taxpayer base.

The following policies will be created to strengthen the Town's portfolio of financial policies and bylaws as they relate to revenue:

- Self-Sustaining Utilities Policy

Alignment with Principles

The primary fiscal sustainability principles that are relevant to revenue and some of the questions they generate are:

Sustainability:

- Do current revenue sources provide reliable, long-term funding to maintain existing service levels?
- Are revenues sufficient to support ongoing asset maintenance and replacement without overreliance on debt?

Minimize Vulnerability:

- Are revenue sources diversified to reduce dependence on any single source?

Strategic Plan and Corporate Priorities:

- Do the revenue sources align with the municipality's strategic objectives and priorities?
- Are new or optional services being considered only if funding can be sustainably generated to support them?

Efficiency:

- Are fees, fines, and charges set at appropriate levels relative to service delivery costs?
- Are there opportunities to streamline revenue processes or reduce unnecessary complexity?

GROWTH MANAGEMENT

The growth of the Town of Drayton Valley is essential to its long-term success. Expansion can lead to increased employment, the arrival of new businesses, greater cultural and recreational offerings, and a more diverse population. It also strengthens Drayton Valley's position as a key regional centre in West Central Alberta. From a financial standpoint, growth generates direct revenue for the Town through development charges that fund growth-related infrastructure, as well as increased property tax revenue from new developments. In addition to these, there are broader economic and financial benefits. However, growth also comes with costs, and the way it is planned and funded plays a critical role in maintaining the Town financial sustainability.

Related Policies

- Commercial & Industrial Property Tax Incentive Bylaw
- Offsite Levy Bylaw

Key Financial Strategies and Principles:

1. **Off-site levies will be applied to new development. This ensures that the cost of expanded infrastructure is not passed on to existing taxpayers.**

   This strategy is consistent with the Town's user-pay approach. Off-site infrastructure refers to the essential services and facilities that must be constructed to support the development of new residential, commercial, or industrial areas. This infrastructure typically includes water, wastewater, stormwater systems, and arterial roads.

   To help cover the capital costs of such infrastructure, off-site levies are charged to developers within the benefiting area. These levies may fund all or part of the infrastructure.

   Furthermore, in accordance with *MGA 648 (2.1)* in addition to the capital costs identified above, off-site levies may also be used to fund all or part of the capital costs associated with the following types of infrastructure. This includes costs for any related components and any land required for or associated with these purposes:

   - New or expanded community recreation facilities;
   - New or expanded fire halls;
   - New or expanded police stations;
   - New or expanded libraries.

   The charges imposed on developers are typically passed on to the end user through the sale price of units within the development area. Developers aim to recover their costs while maintaining profitability, meaning that higher development charges often result in higher unit prices.

Future Strategies

2. Assessment growth revenues resulting from the growth of the Town shall first be applied to growth-related costs.

Assessment growth revenues are to be applied to growth-related costs. Assessment growth typically refers to the net increase in property tax assessment resulting from new construction or development, offset by reductions due to assessment appeals and changes in property classifications. Each year, weighted assessment growth is calculated as it represents additional tax revenue for the Town. It is important to note that assessment increases due solely to inflation or rising market values on existing properties are generally not considered growth revenue, as they do not create additional service demands. Only revenue generated from actual growth, such as new subdivisions, commercial developments, or redevelopment, should be directed toward growth-related costs.

To manage this, the Town will be implementing a Growth Management Policy, which will govern how these revenues are allocated. The central principle of the policy is that assessment growth revenue should first cover the costs of providing services to newly developed areas. As Drayton Valley expands, with new subdivisions, industrial parks, and other developments, residents and businesses in these areas expect the same level of service as the rest of the Town. This includes services like snow removal, waste collection, and park maintenance.

To maintain consistent service levels town-wide, it's essential that these additional costs are adequately funded. The Growth Management Policy will ensure that revenues from growth are specifically directed toward growth-related expenses, rather than being used for general corporate purposes.

3. Update the bylaw to establish fairer rates that promote equity.

Given that the Town has seen minimal growth in recent years, there has been little development necessitating the use of the current Offsite Levy Bylaw.

An updated Offsite Levy Bylaw is crucial for several reasons:

- Equity in Development Costs: As communities grow, the costs associated with infrastructure development should be fairly distributed among developers. An updated bylaw can ensure that all stakeholders contribute proportionately, preventing an unfair burden on existing taxpayers and ensuring that new developments pay their fair share of infrastructure costs.
- Reflecting Current Economic Conditions: Economic conditions, construction costs, and community needs change over time. Revising the bylaw allows it to reflect the current market realities and the anticipated costs associated with growth, ensuring that the rates set are relevant and effective.
- Encouraging Responsible Development: By establishing clear and equitable offsite levy rates, developers are incentivized to consider the long-term impacts of their projects on the community. An updated bylaw can foster sustainable growth by encouraging practices that benefit the wider community rather than solely individual projects.
- Supporting Infrastructure Planning: A well-structured Offsite Levy Bylaw can assist municipalities in planning and allocating resources for essential services such as roads, parks, and utilities. It helps to ensure that infrastructure is developed in a timely manner to meet the needs of both existing residents and newcomers.
- Enhancing Transparency: Updating the bylaw can improve transparency in the development process. Clearly defined rates and guidelines help stakeholders understand the financial implications of development and the rationale behind the fees, fostering trust in municipal decision-making.

Preparing for Future Growth: By adapting the bylaw to accommodate projected population and economic growth, municipalities can better prepare for future needs, ensuring that infrastructure and community services evolve accordingly.

Legal and Regulatory Compliance: Regular updates may also be necessary to comply with changing provincial regulations or legal requirements, ensuring that the municipality remains in adherence to the law and best practices.

In summary, an updated Offsite Levy Bylaw is essential for fostering equitable development, responding to contemporary challenges, and supporting the long-term viability of the community.

The following policies will be created to strengthen the Town's portfolio of financial policies and bylaws as it related to growth:

- Growth Management Policy

Alignment with Principles

The primary fiscal sustainability principles that are relevant to the Town's Growth Management practices and some of the questions they generate are:

Sustainability:

- Does the growth strategy ensure that new development can be supported without compromising long-term service levels or infrastructure quality?
- Are growth-related costs, such as roads, utilities, and public facilities, being planned and funded sustainably?

Flexibility:

- Are land-use policies, zoning, and infrastructure plans flexible enough to accommodate unexpected growth or slower-than-expected development?

Strategic Plan and Corporate Priorities:

- Are growth decisions informed by data, master plans, and community priorities?
- Does growth management support the municipality's long-term strategic objectives, such as economic development, housing, or community well-being?

Equitability:

- Are mechanisms in place to ensure that new development does not disproportionately burden existing taxpayers or residents?
- Do development charges, levies, or incentives reflect the impact on municipal services and infrastructure?

CASH, INVESTMENT AND RESERVE MANAGEMENT

Town of Drayton Valley residents depend on over 30 different services every day. From a financial standpoint, it is crucial to ensure that sufficient funding is available to maintain the efficient and effective delivery of these services. To achieve this, the Town employs a range of financial tools, including reserves, which act as savings set aside for future needs. In many cases, these funds are not needed for several years, allowing them to be invested to generate returns in the meantime. This section of the Strategic Financial Framework outlines the interconnected approach to managing the Town's cash resources.

Related Policies

- Accumulated Interest Investment of Funds Policy
- Reserve Account Policy

Operating Surplus/Deficit

Background

Alberta municipalities, as directed by the *MGA*, may not budget an operating deficit. Any operating surplus in any given year is allocated to reserves to ensure target levels are achieved with any amounts above the defined maximum subject to Council direction for disposition. Operating deficits, if not funded from other sources within the year, become the first item of taxation in the subsequent year. Administration reports quarterly to Council on the status of spending against budget and forecasts at the third quarter, identifying any actions that may be required to eliminate a potential deficit.

Key Financial Strategies and Principles:

1. **Unbudgeted operating surpluses are allocated to reserves.**

   Any unbudgeted operating surpluses will be allocated to the Town's reserves. This approach ensures that unexpected financial gains are used strategically to strengthen the municipality's long-term financial position rather than being spent on one-time items. By directing surpluses to reserves, the Town can fund future capital projects, cover emergent needs, maintain stable tax and utility rates, and reduce reliance on debt financing. This practice enhances fiscal sustainability, supports prudent financial management, and provides a buffer against unforeseen expenses or revenue shortfalls.

2. **Department staff to respect and manage a global budget (higher than expected spending in one area is first offset by savings in another).**

   Department staff are responsible for managing their budgets on a global basis, meaning that higher-than-expected spending in one area should first be offset by savings in another. This approach encourages flexible and responsible financial management, promotes accountability, and ensures that overall departmental expenditures remain within approved limits. By managing budgets holistically, departments can respond to operational needs without jeopardizing overall fiscal stability, supporting efficient use of resources while maintaining service levels.

   The following guidelines apply to this strategy:

   - **Departmental Accountability** – Savings generated in one program, service, or cost centre within a department may not be redirected to cover overages in another program or service without prior approval from senior administration and/or Council. Each program area must remain accountable for its own spending levels.
   - **Offsetting Overages** – If unexpected costs arise within a department, staff must first identify internal savings opportunities (e.g., delaying discretionary

projects, reducing non-essential expenditures, or finding operational efficiencies) within that same program area.

- **Excess Savings** – If savings remain at the end of the fiscal year after all obligations have been met, these funds will revert to the municipality's general operating results and, where appropriate, be allocated to reserves as directed by Council policy. Alternatively, where appropriate, savings may be carried forward to the next fiscal year on a one-time, Council-approved basis.
- **Transparency and Reporting** – Departments must provide timely reporting on budget variances. Overages, savings, and any recommended reallocations must be disclosed to ensure transparency and informed decision-making.
- **Global Budget Respect** – While the municipality manages its finances under a global budget concept, each department is required to respect its approved allocation. The principle is that overspending in one area cannot automatically be balanced by underspending in another without formal review and approval.

Future Strategies

3. Create a policy that guides how the operating surpluses are to be contributed into reserves.

At present, all unexpected operating surpluses are deposited into an unrestricted surplus reserve account. Establishing a formal policy to designate and restrict the use of these surpluses would provide clearer guidance on how funds are managed and allocated. Such a policy could help the Town prioritize long-term financial sustainability, ensure consistent funding for critical initiatives or capital projects, reduce reliance on debt, and provide a structured approach to addressing emergent needs. By clearly defining the purpose and allowable uses of surplus funds, the municipality can enhance transparency, accountability, and strategic financial planning.

Investments

Background

Effectively managing municipal funds and investments demonstrates strong fiduciary responsibility and prudent stewardship of public resources. Strategic investment decisions not only safeguard the municipality's financial assets but also generate returns that can be reinvested to support organizational priorities, advance service delivery, and achieve long-term community objectives. By aligning investment practices with sound financial principles and risk management, the municipality ensures that public funds are used efficiently and responsibly to benefit current and future residents.

Key Financial Strategies and Principles:

1. **The Town invests public funds prudently to safeguard principal while seeking optimal returns. Investments are managed to meet cash flow requirements and comply with the Municipal Government Act and related regulations governing municipal investments.**

   Prudent investment of public funds ensures that municipal resources are protected while generating returns that can support the Town's financial sustainability and strategic objectives. Investments are selected and managed with careful attention to risk, liquidity, and diversification, ensuring that funds are available to meet operational and capital cash flow requirements. All investment activities comply with the Municipal Government Act and related regulations, reflecting the Town's commitment to transparency, accountability, and responsible stewardship of taxpayer funds. This approach balances the need for security with the opportunity to enhance financial capacity, enabling the Town to support community priorities and long-term planning.

Future Strategies

2. **The Town will review and update its current investment policy to reflect best practices, evolving regulatory requirements, and the municipality's financial objectives.**

   The revised policy will provide clear guidance on risk management, diversification, liquidity, and performance expectations, ensuring that investment decisions continue to safeguard public funds while optimizing returns. Regular review cycles will be established to keep the policy current, support transparency and accountability, and align investment practices with the Town's long-term financial sustainability goals.

Reserve Management

Background

Reserves are a critical component of both current and long-term municipal funding. They allow the Town to set aside funds for future needs and provide a stable financial foundation to smooth tax and utility rates, avoiding sudden spikes. The primary objective of reserves is to ensure funds are available to address unforeseen financial requirements, support long-term asset replacement planning, stabilize revenue requirements, and reduce reliance on debt financing. By allocating funds to reserves, the Town benefits from earned interest and may avoid borrowing costs, ultimately saving taxpayers from additional interest expenses.

Key Financial Strategies and Principles:

3. **Allocate funds to a variety of reserves, each serving specific purposes. Some reserves are designated for contingencies, providing a financial safety net to address unforeseen events or emergencies. Others are intended to fund future projects, such as infrastructure replacement, capital upgrades, or strategic initiatives.**

   These targeted reserve transfers enable the municipality to plan proactively, manage financial risks, and ensure that resources are available when needed, reducing reliance on debt and helping to stabilize tax and user rates over time.

   The following provides a breakdown of the Town's current reserves, including the purpose of each reserve and the timing and nature of contributions and withdrawals.

   - *Operating and Capital Contingency Reserves*

     These reserves have been set by Council and are for the purpose of unexpected capital or operating expenditures.

       - The reserve does not receive regular contributions; instead, funds are added following a withdrawal to restore the balance to the level Council deems appropriate.
       - Alternatively, some reserves are established for items that are difficult to budget accurately each year due to unpredictable events, such as snowfall. In these cases, contributions are made to the reserve when actual costs fall below budget, and withdrawals are made when costs exceed the budget.

- *Landfill Reserves*

  As the Town operates a landfill, it is required to establish reserves to cover the future costs of landfill closure and ongoing post-closure care.

    - Regular contributions are made to these reserves based on the estimated future costs of landfill closure and post-closure care, as well as the volume of waste deposited in the landfill each year.

- *Capital Reserves*

  These reserves are designated for future capital projects, which may include specific initiatives identified in the capital plan or funds set aside for anticipated future needs that have not yet been fully defined.

    - Reserves established for specific capital projects are funded to ensure that sufficient resources are available when the project is scheduled to proceed.
    - General capital reserves are contributed to based on a percent of total tax revenue in any given year. The rate is established each Council term.

- *Utility Reserves*

  These reserves provide funding for operating initiatives, equipment replacement, and infrastructure projects related to the delivery of water, wastewater, and stormwater services.

    - Contributions to these reserves are determined through a utility rate study conducted every four years. Contribution rates are set based on anticipated future capital project requirements.

Future Strategies

4. Reserve transfers will be regularly evaluated using insights from asset management to ensure funding needs are met.

The Town's future strategy will continue to focus on minimizing debt and smoothing the impact on taxes and user rates. This will be achieved through ongoing review of optimal reserve transfers and balances, continuous monitoring of minimum required balances based on municipal needs, and benchmarking against other municipalities. Additionally, future analysis will assess the use and effectiveness of interest-bearing reserves to maximize financial returns.

5. **Create a Tax Rate Stabilization Reserve to help prevent significant fluctuations in annual tax rates.**

   This reserve acts as a financial buffer, allowing the municipality to absorb unexpected revenue shortfalls or unplanned expenditures without placing undue burden on taxpayers in a single year. By smoothing the impact of variable costs and maintaining more predictable tax rates, the Town can enhance financial stability, support long-term planning, and provide residents with greater certainty regarding their municipal tax obligations. The reserve will be managed strategically, with contributions and withdrawals guided by annual budget assessments, ensuring it continues to serve its stabilizing purpose over time.

6. **Review and update its current reserve policy to align with best practices, evolving regulatory requirements, and the municipality's financial goals.**

   Keeping the reserve policy current is critical to ensuring that funds are allocated and managed effectively, supporting both short- and long-term financial stability. An updated policy provides clear guidance on the purpose, use, and target balances of reserves, helping to mitigate financial risks, address unforeseen expenditures, and support strategic planning. It also ensures transparency and accountability in the management of public funds, enabling the municipality to respond to changing community needs, plan for future capital projects, and maintain stable tax and utility rates.

7. **Allocate excess investment income into the Tax Rate Stabilization Reserve.**

   To enhance long-term fiscal sustainability and reduce the impact of year-to-year tax fluctuations, the Municipality will allocate excess investment income to the Tax Rate Stabilization Reserve.

   This approach provides a consistent funding source to help offset future tax increases during years of high inflation or unexpected expenditures. It will also reduce the reliance on one-time investment gains for operating expenditures and strengthen the Municipality's ability to respond to economic variability and unforeseen financial pressures.

By directing excess investment earnings into the Tax Rate Stabilization Reserve, the Municipality ensures that temporary revenue gains are used strategically to support stability, predictability, and fairness in taxation.

The following policies will be created to strengthen the Town's portfolio of financial policies and bylaws as it relates to Reserves:

- Tax Rate Stabilization Reserve Policy
- Operating Surplus Allocation Policy

Alignment with Principles

The primary fiscal sustainability principles that are relevant to cash, investments and reserve management and some of the questions they generate are:

Sustainability:

- Are funds being managed to preserve principal while generating sufficient returns to support future obligations?
- How are reserves aligned with anticipated lifecycle costs of assets to avoid funding shortfalls?

Flexibility:

- How easily can cash, investments, or reserves be accessed to address unexpected expenditures or emergencies?
- Are reserves structured to allow reallocation if priorities change or new needs arise?

Strategic Plan and Corporate Priorities:

- Are reserves and investment strategies aligned with the municipality's strategic objectives and planned initiatives?
- Can the municipality use reserves or investment income to strategically advance objectives without compromising core operations?
- Are policies transparent and accountable, so residents understand how public funds are being managed and allocated?

Transparency:

- Are all cash, investment, and reserve balances clearly reported in financial statements and budget documents?

DEBT MANAGEMENT

Background

Debt can be a useful tool for financing capital projects and supporting the Town's long-term sustainability by helping to achieve growth and service delivery goals. Taking on long-term debt aligns with the principle of intergenerational equity, as those who benefit from the infrastructure will also contribute to its repayment over time. When carefully planned and responsibly managed, debt can effectively support the Town's objectives.

However, to avoid compromising current or future services, it is essential to manage debt levels and associated costs prudently. The Town must also comply with debt servicing and limit regulations outlined in the *Municipal Government Act (MGA)*.

Key Financial Strategies and Principles:

1. **Internal debt limits have been established to support financial sustainability by preventing the over-allocation of future operating funds to debt repayment.**

   However, setting internal limits also reduces the total amount of debt the Town can issue, which may limit the ability to achieve intergenerational equity. This highlights the importance of balancing fiscal sustainability principles.

   Determining how much debt the Town should issue requires careful consideration of multiple factors. Fundamentally, it's important to recognize that debt carries an added cost, interest payments, which increase the overall expense beyond the original capital investment. As a result, responsible financial management requires that debt be used thoughtfully to avoid excessive spending on interest and to ensure taxpayer dollars are used efficiently.

   From a legislative standpoint, the Town's debt capacity is limited by the Ministry of Municipal Affairs. This limit specifies the portion of the Town's net revenues that can be allocated to debt repayment each year. However, the legislative limit typically allows for a much higher level of debt than would be considered prudent or sustainable. To protect the Town's long-term financial health, debt levels will be monitored and managed to ensure they remain well below the maximum threshold.

   Prevailing interest rates are a key factor in assessing the municipality's capacity and willingness to take on the added costs associated with debt. In a low-interest rate environment, the additional cost of borrowing may be minimal. However, as interest rates rise, the cost of servicing debt can increase significantly. As a result, the Town's approach to issuing debt may vary over time based on interest rate conditions.

   In addition, debt capacity that has already been used may limit the Town's ability to respond to future priorities, initiatives, or unexpected events. Preserving this flexibility is a prudent strategy for ensuring long-term financial resilience.

These factors are essential when determining appropriate debt levels for the municipality. The Town's CFO and their designates will regularly review these considerations in alignment with the Town's Debt Management practices.

2. **Only take on new debt when it aligns with organizational priorities identified in the strategic plan and is intended to support key capital projects included in approved capital budgets.**

   This approach helps the Town carefully manage its debt capacity, ensuring that borrowing is reserved for projects that provide the greatest benefit to the community and are consistent with the Town's strategic goals. By prioritizing alignment with organizational priorities, the Town avoids committing its limited debt room to lower-value or non-strategic initiatives, thereby preserving financial flexibility for future needs and maintaining long-term fiscal sustainability

3. **Debt will be issued through the most beneficial channels and structured to best serve the Town's interests, while considering practical conditions in the market.**

   While the Town generally issues debentures directly through Alberta Capital Finance, there may be situations where alternative borrowing methods are more practical or beneficial. Any such approach must still comply with the legislative constraints governing the Town's debt issuance. For instance, borrowing through other government agencies or banks may offer more favorable rates, terms or structures than issuing a debenture directly through Alberta Capital Finance. In such situations, the Town will aim to balance the practical aspects of the debt format with the potential benefits.

4. **Long-term debt will not be used for operating purposes.**

   This approach aligns with the principle of sustainability, as relying on debt to cover operational costs is not maintainable.

5. **Minimize the term of any borrowings to minimize the interest costs of those borrowings to the extent possible, while balancing the principles of inter-generational equity and sustainability.**

   In compliance with the *Municipal Government Act (MGA),* the Town cannot issue debt with a term that exceeds the expected useful life of the capital project it is intended to fund. Within that limit, the Town has the flexibility to determine the repayment term. Choosing a shorter repayment period can reduce the total interest costs borne by residents. However, this must be balanced with the potential impact on operating budgets and tax rates due to higher annual payments, as well as the principle of intergenerational equity noted earlier.

6. **Debt should generally be reserved for large-scale growth and service enhancement projects, rather than for lifecycle renewal initiatives.**

   This approach is grounded in the idea that those who benefit from an asset should also contribute to its cost. Since growth-related and service improvement projects benefit future users, debt is often an appropriate tool to align the timing of costs with the use of the asset.

   In contrast, lifecycle renewal projects are intended to maintain or restore assets that have already served the community. Using debt for these projects would place the financial burden on future taxpayers who did not benefit from the original use of the asset, which conflicts with the principle of intergenerational equity. Therefore, funding these projects through "pay-as-you-go" methods, such as capital levies or savings accumulated in reserves, is typically more appropriate.

Future Strategies:

7. **Formalize a practice that requires a financial impact analysis before proceeding with the construction of new public facilities.**

   This policy would also define acceptable levels of debt financing and specify the expected contributions from other funding sources, such as taxes, grants, private or corporate partners, and community fundraising efforts.

8. **Direct funding for retired debt to the Tax Rate Stabilization Reserve.**

   Once existing debts are fully repaid, the funds previously used for debt servicing will be redirected into the Tax Rate Stabilization reserve. This reserve will help build a buffer to stabilize future tax rates, ensuring that increases occur gradually and avoiding significant fluctuations over time.

The following policies will be created to strengthen the Town's portfolio of financial policies and bylaws:

- Debt Management Policy
- Financial Impact Assessment Policy

Alignment with Principles

The primary fiscal sustainability principles that are relevant to debt management and some of the questions they generate are:

Flexibility:

- Is there sufficient debt capacity to respond to unforeseen circumstances?

Minimize Vulnerability:

- Is the Town over-reliant on debt for capital funding?

Strategic Plan and Corporate Priorities:

- Is the debt incurred consistent with organizational priorities to support priority capital projects?

Equitability:

- What source of funding will pay the debt servicing costs (taxes, reserves, utility fees, other)?
- Who benefits from the capital project(s) for which the debt is being issued?
- Are those who are benefitting, paying for the debt servicing costs?

SUMMARY

The financial principles and practices outlined in this framework are designed to capture the Town's current fiscal philosophy and provide direction for the years ahead. The Financial Framework will be reviewed annually to ensure it accurately reflects the shared values of Council and Administration, and to support the continued advancement of the Town's financial objectives. Each year, financial results will be assessed against historical indicators and established benchmarks to confirm that desired outcomes are being met. The framework will be updated as needed to reflect achieved results and any changes in Council's financial direction.