



# CITY OF ST. ALBERT CITY COUNCIL POLICY

NUMBER	TITLE
<b>C-FS-20</b>	<b>Off-Site Levy Recovery Fund Utilization</b>
ORIGINAL APPROVAL DATE	DATE LAST REVISED
November 21, 2016	January 21, 2019

## Purpose

The OLRF reserve is intended to mitigate the risk associated with the pace of development to ensure that debt servicing obligations can be met should the levies collected in any year be less than any debt servicing costs.

## Policy Statement

The City will utilize the OLRF reserve as a source of funding to allow for the city front-ending of strategically selected projects which are primarily funded through the Off-Site Levy program in order to mitigate and manage the financial impact of these projects on the municipal tax rate.

## Definitions

Development Forecast – An internal modeling tool that estimates projected development timelines.

Financial Model – An internal modeling tool that assesses actual recoveries from the off-site levy reserves alongside the future projected collections derived from the development forecast and is used to monitor the health of the fund as a risk mitigation tool and a funding source.

City Front-Ended (Ending) – A process governing where the City constructs qualified Off-Site Levy Infrastructure.

Off-Site Levy (OSL) – means the amount calculated in accordance with the Offsite Levy Bylaw 30/2013 that is to be paid by a Developer to the City as the Developer's contribution toward the costs of constructing municipal infrastructure defined and described within the Bylaw, which projects each fall into one of the following categories:

- i) New or expanded facilities for the storage, transmission, treatment or supplying of water;
- ii) New or expanded facilities for the treatment, movement or disposal of sanitary sewage;
- iii) New or expanded storm sewer drainage facilities;
- iv) New or expanded roads required for or impacted by a subdivision or development; and,
- v) Land required for or in connection with any of the above described facilities.

Off-Site Levy Recovery Fund (OLRF) – A financial reserve where the contributions are generated from the annual reconciliation of the Off-Site Levies collected in the previous year. The payments into the reserve represent the payback of Off-Site Levy projects that the City constructed and paid for in past years.

Servicing – Annual principal and interest payments required on long term debt.

### **Responsibilities**

Council is responsible for:

- a. The review and approval of all new city front-ended OSL projects which may be recommended by Administration.

Chief Administrative Officer is responsible for:

- a. The development and annual updating of a financial model specific to the OLRF and the development forecasts.
- b. Bringing forward to Council strategically chosen OSL projects that are recommended for funding along with supporting financial analyses.
- c. Reporting to Council annually on the status of the fund.

### **Service Standards/ Expectations**

1. The costs of any city front-ended Off-Site Levy infrastructure, that do not have specified “future contributions” will, where possible, be recovered by the City through the annual reconciliation of the Off-Site Levy Program, as described in C-P&E-08.
2. The OLRF shall be restricted to the financial support for the City front-ending of strategic OSL projects as supported by Council Policy C-P&E-09 Off-Site Levy Front-ending Prioritization Criteria.

3. A financial model shall be in place and maintained.
  - a. Financial forecasts shall be updated annually to account for actual funds transferred to the OLRF from the previous year along with an update to the long-term development forecast and associated projected collection of reimbursable levies.
4. At least every four (4) years, or as circumstances warrant, Administration shall perform a comprehensive review of the status of the OLRF reserve with consideration of existing debt obligations alongside future strategic OSL projects that may require a funding source.
  - a. If Administration determines there are no or limited projects on the horizon that would be recommended for City front-ending and there were funds in excess of what is required by this policy (Standard 6) to support any existing debt, Administration may recommend that a portion of the OLRF balance be transferred into an appropriate municipal reserve.
5. Funds within the OLRF may be utilized within the following order of priority as supported by the financial model:
  - a. To service existing debt related to approved City front-ended infrastructure.
  - b. To provide servicing capacity for additional long-term debt to support future approved City front-ended OSL infrastructure and/or;
  - c. To provide direct funds for the design and construction of approved City front-ended OSL infrastructure.
6. In order for a portion of the reserve balance to be considered for additional City front-ending of OSL projects the financial model must show the ability to meet the following criteria:
  - a. Servicing of current debt approved under this reserve fund shows a positive balance at the end of the development forecast period and;
  - b. The balance of the fund is forecasted to remain at a level greater than the equivalent of:
    - i. Three (3) years servicing costs within the first three (3) years of the financial model and;
    - ii. Two (2) years servicing costs from year four (4) to year ten (10) of the financial model.

7. If the annual financial analysis indicates that either/both of the criteria in Standard 6 cannot be met for current obligations, no further projects would be considered for funding from this reserve and further analysis around risk strategies will be initiated.
  
8. Should Council direct the funding of new OSL projects, an analysis shall be undertaken to determine if the incremental debt servicing obligation and/or direct funding of the project(s) would continue to support both criteria detailed in Standard 6. Only projects which pass these criteria will have the option for funding through the OLRF.

**Legal References**

*Municipal Government Act - Section 648*

**Cross References**

- C-FS-01 Financial reserves
- C-FS-03 Debt Management
- C-FS-05 Budget and Taxation Guiding Principles
- C-FS-14 Utility Fiscal Policy
- C-P&E-08 Off-Site Levy Framework
- C-P&E-09 Off-Site Levy City Front-Ending Prioritization Criteria
- Offsite Levy Bylaw 30/2013

DATE REVIEWED	NEXT REVIEW DATE	REVISIONS
November 2016 – Finance and Assessment	2020 – Finance and Assessment	January 21, 2019 – AR-19-003

