



# POLICY

Policy No.13 329 16/11/21  
Department: Finance  
Authority: Council

---

## GENERAL FINANCE POLICY

---

### **SCOPE:**

The Finance Policy applies to Council, and all departments, and local boards of the Town of Nanton.

### **BACKGROUND:**

Financial policies are central to a strategic, long-term approach to financial management. This policy sets out guidelines and principals for overall financial management and specifically to those areas which are not addressed in a separate policy.

### **PURPOSE:**

The Financial Policy will demonstrate fiscal responsibility through transparency, accountability, spending within means, good planning including long range planning, strong purposeful assets balanced with the responsible use of liability (debt), and engagement of the community.

Financial policies define a shared understanding of how the organization will develop its financial practices and manage its resources to provide the best value to the community.

### **RELATED POLICIES:**

- Reserves Policy
- Tangible Capital Asset Policy
- Purchasing Policy
- Council Remuneration & Reimbursement Policy
- Promotional Fund Policy
- Multi-Year Budget Policy
- Surplus Equipment Disposal Policy
- Fee Schedules

### **DEFINITIONS:**

**Corporate Credit Card:** the municipality enters into an agreement with a financial institution to supply a group of credit cards under one agreement. A borrowing bylaw for credit cards (operating) cannot exceed three (3) years; at which time a new bylaw must be passed.

**Liquidity:** is the marketability of an investment that can be bought or sold quickly with minimal or no loss.

**Funds Held in Trust:** from time to time the Town is asked to hold funds on behalf of another organization. These funds are held on the balance sheet. Funds over \$50,000 to be held for more than 180 days will be held in a separate bank account. These funds do not include deferred revenue from grants received.

**Pooling Funds:** pooling refers to the combining of funds from a variety of resources into one investment, in order to maximize interest earnings.

A handwritten signature in blue ink, appearing to be "KBM", is located in the bottom right corner of the page.

A handwritten signature in black ink, appearing to be "KBM", is located in the bottom right corner of the page, below the blue signature.

**Investment Maturity:** the date at which the investment matures and becomes available for use or re-investment.

**Line of Credit or Revolving Credit:** debt where the principal can fluctuate up and down in response to the cash flow needs of the municipality to a pre-determined maximum and is usually subject to fluctuating interest rates. A borrowing bylaw for operating cannot exceed three (3) years; at which time a new bylaw must be passed

**Long Term Debt:** debt issuance that exceeds five (5) years.

**Non-recurring Revenue:** revenue from a one-time only transaction; for example sale of assets.

**Short Term Debt:** debt issuance that is less than five (5) years.

**Volatile Revenue:** revenue with the potential to vary by more than \$25,000 of budgetary estimates; for example interest or investment gains.

**PRINCIPALS:**

Financial policy:

- Outlives their creators; promoting stability and continuity.
- Develops in a collaborative process between Council and staff creating a high degree of support for the policy.
- Is a living document and should be reviewed at least every three years.
- Empowers staff with a framework of boundaries within which innovation is encouraged; ensuring that activities are taking place in a manner that Council deems acceptable.
- Supports a good financial rating reducing the cost and administration of borrowing, and enhances business relationships
- identifies important risks to financial condition and prescribes actions to avoid and or manage risk
- follows all laws and regulations as outlined in the *Municipal Government Act*

**GUIDELINES:**

**Investment**

The essential purpose of government investment is to maximize interest income while preserving principal and maintaining sufficient liquidity to meet expenditure obligations.

1. These guidelines address all funds, except those held for pension trust, and funds held in trust for another entity.
2. Investment risk will be mitigated by
  - a. Limiting investment within the statues of the Municipal Government Act (MGA), Part 8, section 250
  - b. The Town of Nanton will invest in principal guaranteed investment only.
  - c. Administration should insure that investments meet cash flow needs.
  - d. Investment maturity greater than 180 days requires approval of Council,
  - e. Yield should be considered secondary to risk and liquidity
3. The Finance Committee will review the investment portfolio annually or as required for diversification; maturity, investment type, and issuer.



A handwritten signature in blue ink, appearing to be "KAM", is written over the page number.

A handwritten signature in black ink, appearing to be "KAM", is written at the bottom right of the page.

## **Short Term Debt**

9. The Town of Nanton will when required enact a borrowing bylaw to maintain a line of credit with a financial institution to facilitate required cash flow in the following circumstances:
  - a. As interim financing while waiting for grants to be received
    - i. The line of credit will be paid within 10 days of receipt of funding.
  - b. As bridge funding between tax collection cycles
    - i. The line of credit must be paid to a zero balance each year by July 15<sup>th</sup>.
  - c. Any variation in the above must be reported to Council as soon as the issue is identified by Administration.
10. The Town of Nanton will enact a borrowing bylaw to provide for a corporate credit card agreement with a financial institution not to exceed \$25,000.
  - a. Credit cards will be issued to key personnel for the purpose of purchasing goods and services for the Town of Nanton where the set-up of a payables vendor is impractical.
  - b. The CAO will determine who will be issued credit cards and the purchasing limits on each card. He/she will ensure that appropriate security processes are in place.
11. Short term lease agreements will be entered into as per the purchasing policy.

## **Revenue**

1. Revenue management goals will be to:
  - a. Encourage diversification and stabilization in the revenue base by actively seeking new sources of revenue.
  - b. Draw resources from the community in a way that is perceived as fair and or equitable. Services that have a community wide benefit are drawn from broad based revenue such as tax. Services where the customer determines the use shall be financed with user fees related to that service.
  - c. Strive for a total revenue mix that encourages growth and economic competitiveness.
2. Non-recurring revenue or volatile revenue will be used to support one time uses such as debt reduction, reserves, or special projects that reduce operating costs.
3. New revenue sources will meet the goals above and be considered in relation to the cost of administration.
4. Administration will create objective annual revenue estimates based on:
  - a. Historical actuals
  - b. Economic indicators; national, provincial, and local
  - c. Identifying the degree of uncertainty associated with the revenue
  - d. A collaborative approach by the management team to ensure all operational factors and trends are considered.
5. Administration will maintain collection processes that are vigilant, timely, and consistent.
6. Earmarking of funds will be used with caution as it reduces financial flexibility. However, earmarking can be a useful tool to increase public confidence regarding the use of municipal revenues and may be used in an exceptional case with clear justification.
7. User fees will recover full or partial costs of services which benefit individuals as opposed to the community as a whole. In creating user fees the following will be given consideration:



4. To maintain competitiveness, Administration will review investment options in the local market twice annually or as may seem prudent with results presented to the Finance Committee. The review will focus on meeting the above conditions.
5. In order to maximize earnings and increase efficiencies the Town may pool funds when investing in specific products.
  - a. Administration is charged with maintaining clear accounting for the separate funds within the accounting program.
  - b. Interest earnings specific to deferred grant funds, capital reserves, and other accounts as periodically identified will be accrued and allocated, at the end of the fiscal year based on the average annual cash balances and interest rate during that fiscal year.
6. The Chief Administrative Officer (CAO) will be responsible for the investment of all Town funds. Procedures and internal controls will be developed to ensure activities are in keeping with the investment guidelines. The CAO may delegate the authority to the Director of Corporate Services.
7. Investment advice from external resources whose qualifications, certification, and experience have been reviewed and documented. The CAO and the Director of Corporate Services must disclose any personal relationships with outside advisors.

### **Borrowing**

1. All borrowing must fall within the guidelines set out in the Municipal Government Act, RSA 2000, chapter 26, section 251-262.
2. The Town of Nanton will maintain debt at no greater than 75% of the allowable debt limit as per the MGA except in the case of emergent issues.

### **Long Term Debt**

3. The Town of Nanton will undertake the use of long term debt for capital improvements considering the following:
  - a. Favorable market conditions result in low interest rate, creating a viable option to manage capital investment as opposed to using reserves or grants.
  - b. Cost can be distributed over the life of the asset, creating intergenerational equity.
  - c. Cost will be off-set by revenue from sales / user-fees generated from improvement.
  - d. A high priority improvement is required either by legislation or by demonstrated need.
  - e. The improvement is identified in the municipality's long term capital plan.
  - f. The term of the debt must not exceed the useful life of the asset.
  - g. Debt with a length of issuance exceeding 20 years should be carefully considered in regards to its strain on financial flexibility
4. The Town of Nanton will not use long term debt for the purpose of funding operating costs
5. Long term debt instruments will take the form of debenture or capital lease.
6. Debt for new capital projects will only be funded if supported with a viable business case.
7. Early debt repayment should be considered where:
  - a. Surplus exists to support repayment
  - b. Debt interest rates are higher than investment rates; potential for savings exists
8. Long term leases over five (5) years and \$50,000 are considered a form of long-term debt.



- a. Fees will be easy to understand and use
- b. Market comparisons
- c. Enforced through sound administrative procedures and if required penalties.
- d. Cost recovery levels should be considered when determining fees.

Factors which would suggest higher levels of cost recovery

- i. The Town will not provide services which can be provided by a private service at a rate that would be detrimental to that business.
- ii. The goal is to discourage use of the service. (ie snow removal)
- iii. The service is regulatory and is monitored by the Town at a cost. ( ie: permits)

Factors which would suggest lower levels of cost recovery:

- i. The service has a community wide benefit
- ii. Fee will discourage compliance with regulatory requirements (ie: dog licenses)
- iii. Collecting the fee is not cost effective
- iv. Emergency services

- e. User fees will be reviewed on an annual basis to identify the impact of inflation and other cost increases.

- 8. The Town will determine fines and penalties as required and review on a periodic basis.
- 9. Grants provide a significant portion of annual revenue. When applying for a grant the following will be considered:
  - a. The grant will be consistent with the Town's strategic plan.
  - b. The long term costs (operational and capital) associated with the grant are assessed and deemed manageable.
  - c. Grants used to fund a service must demonstrate that the grant will be in place for the life of the service. If not, a plan on how the service will be funded when the grant expires will be included.
  - d. If a grant is lost, the benefit of the service must be fully reviewed prior to tax revenue being used to continue to fund the service.

**Auditing and Financial Reporting**

- 1. Council is responsible to ensure that annual Audited Financial Statements and an annual Financial Information Return for the Town of Nanton are prepared, approved by Council, and submitted in accordance to the Municipal Government Act section 276-279.
  - a. The Finance Committee will undertake a process to identify and recommend an external auditor for Council's approval.
  - b. The auditor must be selected through an open tender process every 3 to five years.
  - c. The Auditor's Management Report and any other information the Auditor deems worthy will be presented to the Finance Committee for review.
  - d. The Auditor will present the finalized Audited Statements to Council as a whole.
- 2. Administration will prepare quarterly financial reporting for presentation to Council including:
  - a. An Operating Statement reflecting year to date budget to actual variations.
  - b. A Statement of Financial Position with year to date comparisons.
  - c. A statement of progress on capital projects with budget to actual comparisons.
  - d. Other reports as may be requested or provided.



3. Council may at any time request Administration to provide additional financial information.
4. Administration must report to Council the occurrence of any of the following special or unique situations or issues which:
  - a. Will be a matter of public interest or exposure
  - b. Creates controversy between members of Administration and or external Auditors.
  - c. Is or will be material to the financial statements
  - d. Involves significant uncertainty or volatility that could have a material effect.
  - e. Must be reported to an external body and administration is unclear or undecided on its presentation.
  - f. Applies a new accounting standard
  - g. Relates to the application of an accounting standard in a way that is not consistent with general practice or different in how it has been done in the past.
  - h. Relates to key controls over financial information that are being redesigned, or have failed and are being addressed.
5. Council may refer matters to the Finance Committee for further investigation or scrutiny.

**Internal Controls**

1. Administration will maintain a system of internal control to;
  - a. safeguard the Town's assets against loss,
  - b. check accuracy and reliability of its financial reporting
  - c. promote operational efficiency,
  - d. encourage adherence to policy
10. Segregation of duties will ensure that a single employee is not in the position to commit an irregularity and then conceal it. Segregation of duties will be demonstrated within all procedures.
11. Assets and records will be accessible based on the requirements of the employee's jobs. Security of assets and records will be documented within procedures.
12. Reconciliation and verification processes will be periodically undertaken. The period being determined by the identified risk and reflected within procedures.
13. All transactions will be authorized in accordance with policies and reflected in procedures.
14. The CAO is charged with the responsibility of ensuring that internal controls are in place and adhered to. The Director of Corporate Services will play a key support role in this area.

**LEGISLATION:** Municipal Government Act, Part 8

\_\_\_\_\_  
MAYOR

November 22, 2016  
Date

\_\_\_\_\_  
CHIEF ADMINISTRATIVE OFFICER

November 22, 2016  
Date

