



<b>POLICY NAME:</b>	<b>Strategic Financial Oversight Policy</b>
<b>Effective Date:</b>	August 13, 2025
<b>Policies Rescinded:</b>	
<b>Document Owner:</b>	Corporate Services
<b>Required Review Date:</b>	September 2028
<b>References:</b>	Woodlands County Reserve Policy F-2.002 Woodlands County Investment Policy F-2.003

**PURPOSE**

The purpose of this policy is to establish the principles and requirements pertaining to strategic financial management and in addition, articulate Council’s direction regarding financial strategies used in funding capital and operating projects. It supplements the County’s existing Reserve Policy and Investment Policy by establishing a hierarchy of preferred funding sources, differentiating short- and long-term borrowing, and providing decision-making criteria to support long-term financial sustainability.

**POLICY STATEMENT**

Woodlands County Council is committed to sound financial stewardship and long-term sustainability. Through this policy, Council establishes expectations for when and how Administration should utilize grants, reserves, taxation, and borrowing to fund projects. The intent is to ensure that all financial decisions are made in a manner that balances current and future needs, comply with legislative requirements, and upholds public trust that financial resources are utilized efficiently.

**DEFINITIONS**

**Capital Project:** A project involving the creation, acquisition, or major rehabilitation of assets with a useful life greater than one year.

**Long-Term Borrowing:** Debt with a term greater than five years, used for major infrastructure with a long asset life.

**Operating Project:** A project related to the delivery of programs or services with costs incurred within one fiscal year.

**Restricted Reserves:** Reserves earmarked for specific purposes by legislation, agreement, or Council resolution.

**Short-Term Borrowing:** Debt with a term less than five years, typically used for temporary cash flow needs.

**Unrestricted Reserves:** General reserves available for any municipal purpose at Council's discretion.

## ADMINISTRATIVE RESPONSIBILITY

**Responsible Party:** Director of Corporate Services

**Supporting Roles (not listed formally but for internal clarity):**

- Manager of Finance (for implementation, reporting)
- CAO (for approvals, policy alignment)

## GUIDELINES

### 1) Guiding Principles

- Sustainability: Ensure funding decisions do not compromise long-term service delivery.
- Fiscal Responsibility: Use the most cost-effective, lowest-risk financing options first.
- Intergenerational Equity: Match repayment periods or reserve use with the lifespan and beneficiaries of the asset.
- Transparency: Ensure decisions are based on clear rationale, publicly defensible, and in compliance with Alberta legislation.
- Risk Mitigation: Maintain reserves and financial flexibility to manage uncertainty or emergencies.

### 2) Funding Hierarchy

Council establishes the following funding hierarchy, listed in order of preference. Administration is expected to evaluate each project accordingly and justify deviations through the budget or Council report process:

Priority	Funding Source	Application
1	Grants	First source when available. Maximize external contributions.
2	Restricted Reserves	Used for purposes consistent with reserve intent.
3	Unrestricted Reserves	Used to reduce debt or tax burden when reserves are sufficient.
4	Operation Taxation	Used for short-term projects, studies, or minor assets.
5	Borrowing (Debt)	Used only for long-lived infrastructure where other funds fall short.

### 3) Financial Decision Criteria

Administration must consider the following when recommending funding sources:

- Project Type: Operating, short-term capital (<5 years), or long-term capital (>5 years)
- Asset Life: Financing should not exceed the expected useful life of the asset
- Availability of Reserves: Priority should be given to using existing reserves before borrowing
- Tax Impact: Avoid sharp tax increases; consider smoothing through planned increases or capital levies
- Grant Eligibility: Evaluate timelines and match requirements

Debt Servicing Capacity:

- Must comply with Alberta's Debt Limit Regulation (AR 255/2000):
  - Total debt limit: 1.5 times municipal revenue



- Annual debt servicing limit: 0.25 times municipal revenue
- Internal guideline: debt servicing should not exceed 10% of the annual operating budget without Council approval

Borrowing must be supported by:

- A defined repayment source (e.g., tax base, user fees, levy)
- Clear alignment with asset beneficiaries and lifespan
- Transparent reporting on financial impact.

**4) Operating Projects**

Operating projects and one-time service enhancements should be funded through taxation or operating reserves unless otherwise directed by Council. Reserves may be used to stabilize short-term pressures but should not replace sustainable budget practices.

**5) Integration with Asset Management**

This policy must be applied in coordination with the County’s Asset Management Plans. Project funding decisions should:

- Consider lifecycle costing and total cost of ownership
- Align with long-term infrastructure needs
- Prioritize preventative maintenance over reactive spending

**6) Borrowing – Short-Term vs. Long-Term**

When considering borrowing, Administration should refer to the definitions of short-term and long-term borrowing in Section 3.0 and apply the following direction:

Short-Term Borrowing may be considered when:

- Temporary cash flow challenges arise prior to receiving approved funding (e.g., grants or tax levies)
- Bridge financing is needed for approved multi-year capital projects
- Emergency response or disaster recovery requires immediate funding not available in reserves

Long-Term Borrowing may be considered when:

- The project involves large-scale infrastructure with a useful life exceeding 10 years.
- Reserves and other funding options have been evaluated and are insufficient.
- The costs and benefits of the project justify spreading the expense over multiple years or generations.
- A full financial risk assessment and repayment plan is prepared

All long-term borrowing requires a borrowing bylaw and must be advertised in accordance with the Municipal Government Act. Council approval is required for all borrowing, and Administration must provide comprehensive financial justification for any recommendation to proceed.

*Original Signed*

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CAO Signature



**END OF DOCUMENT**

**Version Control**

This section tracks all revisions to the policy. Administrative changes made under CAO authority must not alter the original intent of the policy and are logged accordingly. Council-approved revisions are noted with corresponding resolution numbers.

<i><b>Version</b></i>	<i><b>Date</b></i>	<i><b>Approved by</b></i>	<i><b>Type of Change</b></i>	<i><b>Summary of Change</b></i>	<i><b>Reference</b></i>
1.0		Council	New	N/A	Res#