



CITY POLICY

POLICY NUMBER: C479

REFERENCE:

City Council 2000 11 21
Senior Management Team 2000 10 20

ADOPTED BY:

City Council

SUPERSEDES:

NEW

PREPARED BY: Community Services and Corporate Services

DATE: 2000 10 25

TITLE: Fiscal Policy for the Enterprise Portfolio – Community Services

Policy Statement:

The enterprise portfolio model was endorsed by City Council on June 24, 1997 as the preferred option for the ownership and management of selected city facilities.

The purpose of the enterprise portfolio is to:

- Generate synergies through economics of scaled and through collaboration (as opposed to competition) among the constituent facilities and lines of business;
- Achieve effectiveness and efficiencies as a combined portfolio that would be less achievable as separate entities;
- Create a cap of the tax levy support required for the operation and development of constituent facilities excluding corporate initiatives as defined in City Procedures.
- Provide flexibility, incentive, and accountability for the portfolio to innovate and to seek new revenue streams, partnerships, and business opportunities within its mandate;
- Allow for re-investment of any surpluses generated , to achieve the long-term sustainability of the portfolio;
- Safeguard existing municipal investment in the infrastructure, and optimize accessibility for citizens and users.

The enterprise portfolio shall operate as one financial and managerial unit in accordance and compliance with other financial policies.

The purpose of this policy is to:

Formalize the fiscal management and operating principles of the Enterprise Portfolio to ensure long-term viability, growth, stability, and entrepreneurial spirit within the municipal environment.

This policy is subject to any specific provisions of the Municipal Government Act or other relevant legislation or Union Agreement.



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1. DEFINITIONS

- 1.01 Enterprise Portfolio – a group of city owned facilities with similar characteristics operating as one financial and managerial unit.
- 1.02 General Admission Fees – entrance fees charged for facility access and/or use reflecting market based pricing and customer demographics
- 1.03 Enterprise Steering Committee – a standing committee, chaired by the General Manager of Community Services, that provides advice to the Department on strategic aspects of the management of the Enterprise Portfolio
- 1.04 Capped Tax Levy – refers to a fixed dollar value of tax support that is adjusted only by corporate initiatives.
- 1.05 Corporate Initiatives – refers to City of Edmonton sanctioned events, opportunities, directives, and strategies that have a financial impact to the Enterprise Portfolio. This could result in a one-time or permanent adjustment to tax levy funding
- 1.06 New Enterprise Capital Development (Infrastructure) – refers to new construction of buildings and/or additions and new equipment within the Enterprise Portfolio after January 1, 1998.
- 1.07 Partnerships – refers to stakeholders external to the corporation where an obligation or agreement exists for a specific purpose.
- 1.08 Enterprise Portfolio Reserve Fund – is the net accumulation of surpluses after deficits and including contributions retained for the Enterprise Portfolio as per Attachment 1 – Enterprise Portfolio Reserve Fund Principles.
- 1.09 Restricted Funds – are funds restricted by stipulations within an agreement with an external party that specify the purpose(s) for which funds are to be used

2. RESPONSIBILITIES

- 2.01 City Council shall:
 - a) approve changes to the composition of the Enterprise Portfolio;
 - b) approve changes to the Enterprise Portfolio Fiscal Policy; and
 - c) approve general admission fees as they pertain to the Enterprise Portfolio.
- 2.02 City Manager shall:
 - Recommend to City Council:
 - a) approval of this policy and subsequent amendments;
 - b) composition of the Enterprise Portfolio; and
 - c) general admission fees as they pertain to the Enterprise Portfolio.



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2.03 General Manager of Community Services shall:

- a) recommend the composition of the Enterprise Portfolio based on criteria to the City Manager;
- b) ensure compliance with the Enterprise Portfolio Fiscal Policy;
- c) approve the use of reserve funds as a source of financing through the regular City of Edmonton budget and budget adjustment process; and
- d) formulate recommendations regarding the financial impact of corporate initiatives to the General Manager of Corporate Services.

2.04 General Manager of Corporate Services shall:

- a) ensure that the operating tax levy support to the Enterprise Portfolio is adjusted for any corporate initiatives, during the annual budget process or through budget adjustment;
- b) provide advice related to financial issues arising with respect to this policy or related policies;
- c) recommend appropriate liquidity needs for the Enterprise Portfolio Reserve Fund, based on Enterprise Portfolio 5-year business plan; and
- d) ensure adequate financial reporting of the Enterprise Portfolio including the capped tax levy and corporate initiatives.

2.05 Manager of Recreation Facilities shall:

- a) review and make recommendations to the General Manager of Community Services regarding the composition of the Enterprise Portfolio;
- b) review and make recommendations to the General Manager of Community Services regarding the use of Enterprise Portfolio Reserve Fund as a source of financing through the regular City of Edmonton budget and budget adjustment process;
- c) manage the operations and development of the Enterprise Portfolio in a fiscally responsible manner;
- d) identify and make recommendations to the General Manager of Community services regarding any financial impacts of corporate initiatives; and
- e) ensure that any agreements with various partners of the Enterprise Portfolio give due regard to all applicable aspects of this Fiscal Policy.

2.06 As per Terms of Reference, the Enterprise Steering Committee shall:

- a) advise department management on strategic financial aspects of the Enterprise Portfolio Business Plan including use of the reserve fund;
- b) monitor and provide feedback relative to the Portfolio's financial performance, including any strategic issues that could have a material effect upon the financial position or operating results of the Enterprise Portfolio; and



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- c) provide its collective professional and external business experience for the benefit of management of the Portfolio.

3. PRINCIPLES OF ENTERPRISE PORTFOLIO FISCAL MANAGEMENT

3.01 Functioning within the Municipal Environment

- a) All programs and services within the Enterprise Portfolio are operated and maintained in publicly owned facilities. The enterprise portfolio functions within the municipal environment through:
 - i) Adoption of fundamental corporate and departmental strategic plans. Examples include Plan Edmonton, Long-Range Financial Plan, and Integrated Service Strategy.
 - ii) City of Edmonton administrative and support services. These services are provided to the Portfolio through the same channels and under the same principles as they are provided to other programs of the Community Services Department.
- b) Corporate initiatives impacting operations and service delivery, which are in addition to the previously identified parameters of the Enterprise Portfolio, are funded through adjustments in tax levy.

3.02 Financial Management

The principle of financial management decisions and structure work toward the benefit of the Enterprise Portfolio as a whole, under the following premises:

- a) The Enterprise Portfolio operates with a capped tax levy subject to approved adjustments.
- b) Surpluses and deficits are held within the Enterprise Portfolio Reserve Fund.
- c) Additional sources of revenue (including investment income) and contributions are held within the Enterprise Portfolio Reserve Fund.

3.03 Financial Accounting

The City of Edmonton guidelines and principles for financial accounting, reporting, purchasing, systems and control processes apply to the Enterprise Portfolio.

3.04 Management of Assets

New Enterprise capital development after January 1, 1998, with the exception of corporate initiatives, is funded within the Enterprise Portfolio and/or through partnerships. New capital development is retained by the Enterprise Portfolio and accounted for according to accepted principles and practices within the City of Edmonton.



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3.05 Infrastructure Maintenance

Maintenance and renovation of new Enterprise capital development approved after January 1, 1998 is funded within the Enterprise Portfolio and/or through partnerships. The Corporation will maintain any infrastructure (existing or approved) prior to January 1, 1998.

3.06 Fees

General admission fees will be presented to City Council for approval on an annual basis. Other fees will be set internally by the Community Services Department.

3.07 Growth and Stabilization – Enterprise Portfolio Reserve Fund

- a) The capped tax levy of the Enterprise Portfolio has allowed for the formation of the Enterprise Portfolio Reserve Fund. The purpose of this fund is to provide a definitive source of internal funding for stabilization and growth within the Enterprise Portfolio.
- b) The Enterprise Portfolio recognizes other reserve funds held within the membership (e.g. Perpetual Care Fund, Stadium Reserve Fund, Fort Edmonton Train Maintenance Reserve Fund). These funds are not part of the Enterprise Portfolio Reserve Fund but can impact the financial results of individual facilities.
- c) The Enterprise Portfolio promotes growth and stabilization through the following Reserve Fund purposes and priorities:
 - I) Restricted Funds (First Priority)
 - i) The Enterprise Portfolio recognizes and adheres to any agreements where funds are committed.
 - ii) This priority must be met before funds can be made available for other priorities.
 - II) Stabilization (Second Priority)
 - i) The purpose of this priority is to provide a resource for unforeseen operating costs/deficits.
 - ii) As a minimum, the target balance for stabilization is in the range of 7–10% of current general operating expenditures of the overall Enterprise Portfolio
 - iii) This policy will be satisfied before funds can be made available for any other priority.
 - III) Portfolio Preservation Fund (Third Priority)
 - i) The purpose of this priority is to preserve capital development constructed after January 1, 1998 retained by the Enterprise Portfolio.
 - ii) Requirements for this priority will be calculated using applicable industry standards such as life application or life cycle models on a per-asset basis.



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- iii) The required amount for this priority is subject to annual review by the Department.

Satisfaction of priorities I, II, and III are required before reserve funds are considered for priorities IV and V. The latter are equal in priority with respect to allocation of funds, subject to strategic considerations of the Portfolio as a whole.

IV) Projects (Fourth Priority)

- i) The purpose of this priority is to provide a source of funding to strengthen and/or expand the opportunities available through new development or redevelopment via capital or operating projects.
- ii) Assessment and project approval is the responsibility of the General Manager of Community Services.
- iii) Project approval will require submission of a business plan outlining the virtues of the project, its fit within facility master plans, potential financial impact, required amount of funding, and any other information that will assist in the approval process.
- iv) Overall benefit to the Enterprise Portfolio and Community Services Department is considered throughout the approval process.
- v) The Portfolio will evaluate projects post-implementation.

V) Venture Capital (Fifth Priority)

- i) The Enterprise Portfolio recognizes the potential and possible impact to the members of advances in technology, marketplace conditions, innovation, new technology, etc.
- ii) The purpose of this priority is to provide an internal source of financing to maintain and/or advance existing operations.
- iii) Assessment and project approval is the responsibility of the General Manager of Community Services.
- iv) Approval for funding will require submission of a business plan outlining the virtues of the project, its fit within facility master plans, potential financial impact, required amount of funding, and any other information that will assist in the approval process.
- v) Overall benefit to the Enterprise Portfolio and Community Services Department is considered throughout the approval process.
- vi) The Portfolio will evaluate projects post-implementation.



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4. GUIDELINES FOR ENTERPRISE PORTFOLIO OPERATIONS

4.01 Criteria for Composition

The composition of the Enterprise Portfolio generally meets the following criteria:

- a) Each facility serves a citywide, regional, national or international customer base as opposed to being strictly neighbourhood based.
- b) Each facility is unique in characteristics, features, services, or programs.
- c) Each facility generates a significant portion of operating expenditures from fee-based services and programs.
- d) Each facility is owned and managed by the City of Edmonton.

4.02 Partnership Arrangements

The Enterprise Portfolio actively encourages and supports partnerships that enhance programs, services, and/or facilities. For example, the Enterprise Portfolio may leverage partner capital contributions through the Reserve Fund, or work jointly with partners on improved or innovative ways to deliver services.

The Enterprise Portfolio recognizes the uniqueness of various partner organizations, stakeholders, and existing commitments to partners. The work with partners will demonstrate trustworthiness, high standards of ethical and professional conduct, and understanding of respective mandates.

4.03 Financial Risks

The potential for deficit positions is recognized within the Enterprise Portfolio. Managing this risk entails regular review, assessment, and monitoring of operations and business conditions using prudent financial and management principles to identify and solve issues jeopardizing the stability of the Enterprise Portfolio as a whole.

4.04 Performance Measurement

To enhance achievement of strategic goals and increased efficiency and effectiveness, performance is measured using a combination of financial and non-financial measurements of outcomes.

Enterprise Portfolio Reserve Fund Principles

- Operational savings from increased efficiency and/or revenue surpluses from the Enterprise Portfolio, excluding Commonwealth Stadium, will be reinvested in a reserve fund.
- The reserve fund is used to develop capital projects and improvements, develop business opportunities described in each facility's business plan, and establish an operational reserve for cyclical downturns.
- Commonwealth Stadium currently has a Reserve Fund which will continue to operate as it has in the past. Commonwealth Stadium is also part of the Enterprise Portfolio; however, the Stadium's reserve will be kept separate from the Enterprise Portfolio Reserve Fund.
- The Enterprise Team and the Enterprise Portfolio Steering Committee will finalize terms of reference for the management of the Enterprise Portfolio Reserve Fund. These terms of reference will also specify parameters for use of the Reserve Fund for:
 1. Capital expansion of existing amenities
 2. Annual operating costs of new amenities (equipment and building maintenance)
 3. Operational initiatives such as special events or promotions
 4. Capital development of new facilities (capital funds raised for projects must include enough projected revenue funds to produce income to cover future cost and equipment replacements, annual maintenance and long term preventive maintenance or capital costs)
 5. Funding specific operating costs/shortfall.
- Other than Commonwealth Stadium, where surpluses will be rolled into the Commonwealth Stadium Reserve Fund, surplus to the tax levy of the Enterprise Portfolio will be rolled into the Enterprise Reserve Fund and managed within the established terms of reference.
- The Enterprise Portfolio Reserve Fund will be established with the transfer to it of \$913,000 in reductions that were implemented in 1998 by the Community Services Department through City '97.
- The 1999 – 2008 tax levy contribution to the Reserve Fund will be the same as the 1998 levy less \$500,000 per year.
- The City is to provide funding to the Enterprise Portfolio at the 1999 tax levy amount through to January 1, 2008 inclusive, and reductions realized in expenditures will be transferred to the reserve fund annually.
- The Enterprise Team in cooperation with the Finance Branch of the Corporate Services Department will manage the Enterprise Portfolio Reserve Fund.
- The Enterprise Portfolio Reserve Fund will be invested in accordance with the corporate investment policy, and the investment earnings deposited to the credit of the Reserve Fund.

June 30, 1998