

**501 UTILITY AUTHORITY INC.**  
**Governance and Policy Review**  
**Tuesday August 11<sup>th</sup>, 2020**  
**RM of Frenchman Butte No. 501, Boardroom**

**AGENDA**

**GOVERNANCE and POLICY REVIEW**

August 11<sup>th</sup>, 2020 - Progress Report and Itinerary

**1. Governance, Bylaws, Policies and Procedures**

*Galt Resources*

- a. Maintenance Agreements  
– amended/approved. Signed Dec 2019; motions to approve changes March, April and May 2020
- b. Bylaw No. 01/20 Operating Agreement  
– amended and approved, signed June 2020; motion March and April 2020
- c. Bylaw No. 02/20 Board Procedures Policy  
– requires signatures; motion January 2020
- d. Bylaw No. 03/20 Communication Policy and Guidelines  
– requires signatures; motion January 2020
- e. Bylaw No. 04/20 Public Notice Policy – requires signatures; motion January 2020
- f. Bylaw No. 05/20 Financial Control Policy – signed; motion March 2020
- g. Bylaw No. 06/20 Disaster Recovery Policy – signed; motion March 2020

**2. In Progress, Subject to Review and Approval**

- a. Bylaw No. 12/20 Procurement Policy and Guidelines - updated July 14<sup>th</sup>/20
- b. Bylaw No. 21/20 Harassment Prevention Policy updated July 14<sup>th</sup>/20
- c. Bylaw No. 22/20 Code of Ethics August 11<sup>th</sup>/20
  
- d. Bylaw No. 13/20 Inventory and Asset Management Policy – Board to review
- e. Bylaw No. 15/20 Tangible Capital Asset Policy August 11<sup>th</sup>/20
- f. Bylaw No. 14/20 Board Mandate for Reserve Accounts
  
- g. Bylaw No. 08/20 Professional Business Conduct Guidelines September
- h. Bylaw No. 24/20 Conflict of Interest Policy and Guidelines
- i. Bylaw No. 23/20 Oath of Office
  
- j. Bylaw No. 16/20 Maintenance Procedures Policy and Guidelines October
- k. Bylaw No. 17/20 Issues Management Policy and Guidelines
- l. Bylaw No. 18/20 Professional Services Policy and Guidelines

- m. Bylaw No. 20/20 HR and Employment Policy and Guidelines November
- n. Bylaw No. 07/20 Investment Policy and Guidelines
- o. Bylaw No. 10/20 Charitable Involvement Policy and Guidelines

- p. Bylaw No. 25/20 Governance Policy and Guidelines December 2020
- q. Bylaw No. 11/20 Record Retention Bylaw
- r. Property and Asset Inventory and Current Valuations

**3. 2021 - 2022 Itinerary – Operations and Governance Overview** January 2021

- i. Organizational Risk Management Review,
- ii. Gap Analysis
- iii. Recommendations Review Protocol (25/20 Gov. Policy)

# **501 UTILITY AUTHORITY INC.**

## **BYLAW No. 13/20**

### **INVENTORY AND ASSET MANAGEMENT POLICY**

#### **1. Utility Asset Management Policy Statements**

Asset Management is a broad strategic framework that encompasses many disciplines and involves the entire Utility. The term asset management, as used in this document, is defined as “the application of sound technical, social and economic principles that consider present and future needs of “the region, its users, and the service from the asset”. To guide the Utility, the following policy statements have been developed:

- a) The Utility will maintain and manage infrastructure assets at defined levels to support public safety, community well-being and regional community goals.
- b) The Utility will monitor standards and service levels to ensure that they meet/support community and the Board goals and objectives.
- c) The Utility will develop and maintain asset inventories of all its infrastructures.
- d) The Utility will establish replacement strategies through the use of full life cycle costing principles.
- e) The Utility will plan financially for the appropriate level of maintenance of assets to deliver service levels and extend the useful life of assets.
- f) The Utility will plan for and provide stable long term funding to replace and/or renew and/or decommission infrastructure assets.
- g) Where appropriate, the Utility will consider and incorporate asset management in its other corporate plans.
- h) The Utility will report to its owners, the municipal partners and regularly on the status and performance of work related to the implementation of this asset management policy.

## **2. Background and Purpose of Board Policy**

The Board has a mandate to provide a wide range of services. This policy is established in order to guide the Board and management with effective implementation procedures to foster the provision of those services.

### **Board Vision and Goals for Infrastructure Assets**

The Board's vision and goal for the Utility is bound by environmental stewardship, safe and sustainable services, economically underpinned by well managed and prudently maintained infrastructure assets. These assets include but are not limited to efficient transportation networks between the facilities of the Utility, an economical, safe and reliable sewage collection system, inclusive of the primary lagoon, two truck dumps, lift stations, booster station and related mechanical infrastructure.

The life-cycle of all the related assets depend upon competent and reliable management, as well as highly developed and regulate maintenance and operational practices and procedures. Though these assets age and deteriorate, by using sound asset management practices, the Board and the Utility managers can be assured that the assets meet performance levels, are used to deliver the desired service in the long term and are managed for present and future users.

This policy is to articulate the Board's commitment to asset management, and guides the Board and Management using the relevant policy statements. In doing so, this policy also outlines how it is to be integrated within the Utility in such a way that it is coordinated, cost effective and organizationally sustainable. This policy also demonstrates to the partners and the region that the Board is exercising good stewardship, and is delivering affordable services while considering its legacy to future residents.

The Board will implement the policy through the development and use of asset management guidelines and best practices. Since the performance of asset management is organization specific, reflective of knowledge, technologies and available tools, and will evolve over time, the responsibility for guidelines and practices are delegated to the Board of Directors and management.

### **3. Policy Principles, Guidelines and Integration**

The key principles of the asset management policy are outlined in the following list.

The Board shall:

- Make informed decisions, identifying all revenues and costs (including operation, maintenance, replacement and decommission costs) associated with infrastructure asset decisions, including additions and deletions. Trade offs should be articulated and evaluated, and the basis for the decision recorded.
- Integrate corporate, financial, business, technical and budgetary planning for infrastructure assets.
- Establish Board accountability and responsibility for asset inventory, condition, use and performance.
- Consult with stakeholders where appropriate.
- Define and articulate service, maintenance and replacement levels and outcomes.
- Use available resources effectively.
- Manage assets to be sustainable.
- Minimize total life cycle costs of assets.
- Consider social, environmental and sustainability goals.
- Minimize risk to users and risks associated with failure.
- Pursue best practices where available.
- Report the performance of its asset management program.

#### **Guidelines and Practices**

This policy shall be implemented by the Board using accepted industry guidelines and practices (such as those recommended by the Federation of Canadian Municipalities, eg., InfraGuide) and shall consider the use of an asset management strategy and asset management plans.

The Board will also comply with required capital asset reporting requirements, and integrate the asset management program into operational plans throughout the financial reporting systems within the Utility.

Strategic asset management plans may also be developed for a specific class of assets, or be generic for all assets, and should outline long term goals, processes and steps toward how they will be received. The asset management plan should be based on current inventories and condition (acquired or derived), projected performance and remaining service life and consequences of losses (eg. vulnerability assessments). Operation plans should reflect these details. Replacement portfolios and associated financial plans should consider alternative scenarios and risks, as well as include consultation with the owner stakeholders and public consultation if required.

## **Context and Integration of Asset Management within the 501 Utility Authority, Inc.**

The context and integration of asset management through the Utility's lines of business is typically formalized through references and linkages between corporate documents. Where possible and appropriate, the Board will consider this policy and integrate it in the development of corporate documents such as:

- Regional Official Community Plans
- Business plans
- Strategic plans
- Housing Business plans
- Commercial and Industrial Development plans
- Financial plans
- Capital Budget plans
- Operational plans and budgets
- Infrastructure servicing, management, replacement and innovation plans
- Parks and Recreation plans
- Facility plans

### **4. Key Roles for Managing the Asset Management Policy**

The Utility policies are approved by the Board. While management, staff, public and other agencies may provide input on the nature and text of the policy, the Board retains the authority to approve, update, amend or rescind policies.

The implementation, review and reporting back regarding this policy shall be integrated within the Utility. Due to the importance of this policy, the organization's asset management program shall be reported annually to each individual Director for review.

# **501 UTILITY AUTHORITY INC.**

## **BYLAW NO. 15/20**

### **TANGIBLE CAPITAL ASSET POLICY**

#### **Purpose:**

The objective of this policy is it to outline the accounting and reporting requirements for tangible capital assets.

#### **Scope:**

This policy applies to all utility management, operations, committees, the board, agencies and/or other organizations falling within the reporting entity of the 501 Utility Authority Inc..

#### **Definitions:**

**Amortization** is a rational and systematic manner of allocating the cost of an asset over its estimated useful life.

**Betterments** are enhancements to be the service potential of a capital asset such as:

- an increase in the previously assessed physical output or service capacity;
- a reduction in associated operating costs;
- an extension of the estimated useful life; or
- an improvement in the quality of output.

**Capital Assets** are non-financial assets having physical substance that:

- are held for use by the utility in the production or supply of goods and services, for rental to others, for administrative purposes or for the development, construction, maintenance or repair of other tangible capital assets;
- have useful lives extending beyond a year and are intended to be used on a continuing basis; and
- are not intended for sale in the ordinary course of operations.

**Capital-type expenses** are costs for assets that meet the definition of a capital asset but are less than the thresholds. These assets are expensed in the year in which they are purchased.

**Cost** is the amount of consideration given up to acquire, construct, develop or better a capital asset and includes all costs directly attributable to its acquisition, construction, development or betterment, including installing the asset at the location and in the condition necessary for its intended use. The cost of a contributed capital asset is considered to be equal to its fair value at the date of contribution.

**Disposal** refers to the removal of a capital asset from service as a result of sale, destruction, loss or abandonment.

**Estimated Useful Life** is the estimate of the period over which a capital asset is expected to be used or the number of units of production that can be obtained from the asset. It is the period over which an asset will be amortized and is normally the shortest of the physical, technological, commercial or legal life.

**Fair Value** is the amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties, who are under no compulsion to act.

**Financial Assets** are assets that are available to discharge existing liabilities or finance further operations and are not for consumption in the normal course of operations. Examples of financial assets are cash on hand, accounts receivable and inventories for resale.

**Gain on Disposal** is the amount by which the net proceeds realized upon an asset's disposal exceed the asset's net book value.

**Hours of Production Method** is an amortization method which allocated the cost of an asset based on its estimated hours of use or production.

**Leased Capital Assets** are non-financial assets leased by the utility for use in the delivery of goods and services. Substantially all of the benefits and risks of ownership are transferred to the utility without requiring the transfer of legal ownership.

**Loss on Disposal** is the amount by which the net book value of a capital asset exceeds the net proceeds realized upon the asset's disposal.

**Net book Value** is the capital asset cost less accumulated amortization and any write-downs. It represents the asset's unconsumed cost.

**Non-financial Assets** are assets that do not normally provide resources to discharge liabilities. They are employed to deliver utility services, may be consumed or used up in the delivery of those services, and are not generally for sale. Examples of non-financial assets are capital assets and inventories held for consumption or use.

**Repairs and Maintenance** are ongoing activities to maintain a capital asset in operating condition. They are required to obtain the expected service potential of a capital asset over the estimated useful life. Costs for repairs and maintenance are expensed.

**Residual Value** is the estimated net realizable value of a capital asset at the end of its estimated useful life. A related term, salvage value, refers to the realizable value at the end of an asset's life. If the utility expects to use a capital asset for its full life, residual value and salvage value are the same.

**Service Potential** is the output or service capacity of a capital asset.

**Straight-Line Method** is an amortization method which allocated the cost of a capital asset equally over each year of its estimated useful life.

**Threshold** is the minimum cost an individual asset must have before it is recorded as a capital asset on the statement of financial position.



**Work in Progress** is the accumulation of capital costs for partially constructed or developed projects.

**Works of art and historical treasures** are property that has cultural, aesthetic, or historical value that is worth preserving perpetually. These assets are not capitalized as their service potential and expected future benefits are difficult to quantify.

**Write-down** is a reduction in the cost of a capital asset as a result of a decrease in the quality or quantity of its service potential. A write-down should be recorded and expensed in the period the decrease can be measured and it expected to be permanent.

## **Utility Policy:**

### **Legislation**

1. The *Municipalities Act*, section 185; *Cities Act*, section 155(1); and *Northern Municipalities Act*, section 61(7) requires the municipal financial statement to be prepared in accordance with generally accepted accounting principles for municipal governments recommended by the Canadian Institute of Chartered Accountants.
2. It is the view of the 501 Utility Authority Inc., that inasmuch as the Utility serves the interest of and provides services to three (3) Municipalities in Saskatchewan, these principles shall form the foundation of asset management policy as if the Utility were bound by the principles embedded in the above noted acts with the same obligations of the owner municipalities.
3. Inasmuch as the owner municipalities are audited using Public Sector Accounting Board standards, namely PSAB3150, the 501 Utility Authority Inc. will also use the same standards for their Annual audits.
4. The policy is effective January 1, 2020.

### **Capital Asset Categories**

5. Capital assets should be assigned to the categories outline in Schedule A based on their nature, characteristics and useful life.

### **Excluded Assets**

6. The following assets should not be capitalized and amortized:
  - land (or other assets) acquired by right, such as Crown, forests, water and mineral resources;
  - works of art and historical treasures; and
  - intangible assets such as patents, copyrights and trademarks.

## **Assets Held for Sale**

7. Assets held for sale which otherwise would have been reported as capital assets may be required to be reported as financial assets.

## **Costs**

8. The cost of a capital asset includes the purchase price of the asset and other acquisition costs, such as installation costs, design and engineering fees, legal fees, survey costs, site preparation costs, freight charges, transportation insurance costs and duties.
9. The cost of a constructed asset includes direct construction or development costs such as materials, including inventories held for consumption or use, and labour and overhead costs directly attributable to the construction or development activity. Capitalization of administrative costs should be limited to salaries, benefits and travel for staff directly involved with project delivery (e.g., project management or construction).
10. Where several capital assets are purchased together, the cost of each asset is determined by allocating the total price paid in proportion to each asset's relative fair value at the time of acquisition.
11. Interest expense related to financing costs incurred during the time a capital asset is under construction or development can be included in the cost of the capital asset until the asset is put into service.
12. If the construction or development of a capital asset is not completed to a usable state, the costs that would otherwise be capitalized should be expensed.

## **Thresholds**

13. The threshold for each category represents the minimum cost an individual asset must have before it is to be recorded as a capital asset on the statement of financial position.
14. Capital assets not meeting the threshold are expensed in the year in which they are purchased. Costs for these assets are referred to as capital-type expenses.
15. Thresholds should be applied on an individual asset or per item basis.
16. Schedule B outlines the thresholds for each capital asset category.

## **Estimated Useful Life**

17. The estimated useful life is the period over which a capital asset is expected to provide services. An asset's useful life can be estimated based on its expected future use, effects of technological obsolescence, expected wear and tear from use or the passage of time, the level of maintenance and experience with similar assets.
18. All capital asset categories have predetermined estimated useful lives as outlined in Schedule B. The estimated useful lives shown here are intended to apply to assets in new condition.

19. When used assets are acquired the estimated useful lives should be reduced based on the age and condition of the asset.

### **Amortization**

20. Amortization is calculated using the straight-line method based on the estimated useful life of each asset. The municipality has the option of using hours of production where that method is more appropriate, for example assets in the Heavy Equipment categories.
21. Land has an unlimited estimated useful life and should not be amortized.
22. Amortization should be calculated based on the full cost of the capital asset. Where an asset's expected residual value is expected to be significant in comparison to the asset's costs (20% or more), the amount would be deducted from the cost before calculating amortization.
23. A full year's amortization should be recorded in the year following acquisition, construction or development and put into use, regardless of when this event occurs in the fiscal year.
24. For Roads/streets - construction, Roads/streets - repaving, Bridges - construction, Bridges - upgrades, Culverts, Roads/Streets - other, amortization should begin in the year following the year in which the costs were incurred.
25. No amortization should be recorded in the year an asset is disposed of. This does not apply to deemed disposals.
26. No amortization should be recorded on work in progress or capital assets which have been removed from service but not yet disposed of.

### **Disposals**

27. This disposal of a capital asset results in its removal from service as a result of sale, destruction, loss or abandonment.
28. When a capital asset is disposed of, the cost and the accumulated amortization should be removed from the accounting records and any gain or loss recorded.
29. Costs of disposal paid by the utility should be expensed.
30. A gain or loss on disposal is the difference between the net proceeds received and the net book value of the asset and should be accounted for as a revenue or expense, respectively, in the period the disposal occurs.

### **Write-downs**

31. A capital asset should be written down when a reduction in the value of the asset's service potential can be measured and the reduction is expected to be permanent.
32. Conditions that may indicate that a write-down is required include an expectation of providing services at a lower level than originally planned, a change in use for the asset, technological advances which render the asset obsolete or other factors such as physical

damage which reduce the asset's service potential. Documentation for write-down should be retained.

33. Write-downs of capital assets should be accounted for as an expense in the current period.
34. Annual amortization of an asset that has been written down should be calculated using the net book value after the write-down and the remaining estimated useful life.
35. Regardless of any change in circumstances, a write-down should not be reversed.

### **Betterments**

36. Betterments are enhancements to the service potential of a capital assets, such as:
  - an increase in the previously assessed physical output or service capacity;
  - a reduction in associated operating costs;
  - an extension of the estimated useful life; or
  - an improvement in the quality of output
37. Betterments which meet the threshold of the applicable capital asset category are capitalized. Otherwise, they are expenses.
38. Repairs and maintenance which are necessary to obtain the expected service potential of a capital asset for its estimated useful life are not betterments. These costs should be expensed when incurred. They include:
  - repairs to restore assets damaged by fire, flood, accidents or similar events, to the condition just prior to the event; and
  - routine maintenance and expenditures, such as repainting, cleaning and replacing minor parts.
39. Where a betterment enhances the service potential of a capital asset without increasing its estimated useful life, the amortization period should remain the same.
40. Where a betterment increases the estimated useful life of a capital asset, its useful life should be changed.
41. Where a betterment involves the replacement of an identifiable component of a capital asset, the original cost of that component and the related accumulated amortization should be removed from the accounting records.

### **Capital Contributions**

42. When the utility received funds from a third party, such as the provincial or federal government, to assist with the construction or purchase of a capital asset, the full cost of the asset should be recorded. The funds received should be recognized as revenue.

### **Donated Assets**

43. If a capital asset is donated to the utility, the cost is its fair value at the date of contribution. Fair value of a donated capital asset may be estimated using market or appraised value.

## Capital Leases

44. Capital leases are a means of financing the acquisition of a capital asset where the lessee carries substantially all of the risks and benefits of ownership. Capital leases are recorded as if the lessee had acquired the asset and assumed a liability.
45. If one or more of the following criteria exists, the lease should be accounted for as a capital lease:
- There is reasonable assurance that the utility will obtain ownership at the end of the lease. (Transfer of ownership occurs at the end of the lease or the lease has a bargain purchase option.)
  - The utility will receive substantially all of the economic benefits of the assets. (These lease term is 75% or more of the economic life of the asset).
  - The lessor is assured of recovering the investment in the asset and earning a return. (The present value of the minimum lease payment is 90% or more of the fair value of the asset.)
46. Where at least one of the conditions in the preceding paragraph is not present, other factors may indicate that a capital lease exists.
47. For example, a capital lease may exist if:
- the utility owns or retains control of the land on which a leased asset is located and the asset cannot be easily moved;
  - the utility contributes significant assistance to finance the cost of acquiring or constructing the asset that it will lease; or
  - the utility bears other potential risks, such as obsolescence, environmental liability, uninsured damage or condemnation of the asset and any of these are significant.
48. Operating leases are leases in which the lessor does not transfer substantially all the benefits and risks of ownership. If the arrangement is an operating lease, lease payment should be expensed and no liability recorded.
49. If the arrangement is a capital lease, the utility should apply the thresholds of the appropriate capital asset category.
50. If the thresholds are not met, an expense and a liability should each be recorded for the present value of the minimum lease payments.
51. If the thresholds are met, a capital asset and a liability should each be recorded for the present value of the minimum lease payments. The leased asset should be amortized over the lesser of the lease term or estimated useful life for similar capital assets as outlined in Schedule B.
52. Executory and maintenance costs should be excluded when calculating minimum lease payments. The discount rate should be the lesser of the utility's incremental borrowing rate or the interest rate implicit in the lease, if determinable.

## **Work in Progress**

53. Where the construction or development of a capital asset occurs over several years, capital costs should be accumulated until the asset is ready for use.
54. Identify these costs as work in progress for any interim and year-end reporting.
55. The utility should not record amortization on work in progress.
56. A work in progress account should be established to allow work in progress capital costs to be tracked separately from assets subject to amortization.
57. Examples of work in progress are the construction of a new road or building or the development of an asset which occurs over several years. Work in progress would also include down payments and deposits which are to be applied to the cost of a capital asset.

## Schedule A

### Capital Asset Categories

The following table lists the capital asset categories and examples of assets and costs included in each category.

Capital Asset Category	Examples of Capital Assets	Examples of Capital Asset Costs
Land	<ul style="list-style-type: none"> <li>• land acquired for parks and recreation, conservation purposes, building sites and other programs</li> <li>• land purchased for construction of road surface, drainage areas and allowances or future expansions</li> </ul>	<ul style="list-style-type: none"> <li>• Purchase price</li> <li>• Professional fees for title searches, architect, legal, engineering, appraisals, environmental surveys</li> <li>• Improvement and development costs such as land excavation, filling, grading, drainage, demolition of existing buildings (less salvage)</li> </ul>
Land improvements	<ul style="list-style-type: none"> <li>• Fencing and gates, parking lots, paths and trails, landscaping, swimming pools and playgrounds, golf courses</li> </ul>	<ul style="list-style-type: none"> <li>• Original purchase price or completed project costs including costs of material and labour or costs of a contractor</li> </ul>
Buildings - high quality construction  Buildings - medium quality construction  Buildings - average quality construction  Buildings - short term	<ul style="list-style-type: none"> <li>• buildings with fireproofed structural steel frames with reinforced concrete or masonry floors and roofs</li> <li>• buildings with reinforced concrete frames and concrete or masonry floors and roofs</li> <li>• buildings with masonry or concrete exterior walls, and wood or steel roof and floor structures, except for concrete slabs on grade</li> <li>• operational storage facilities, sheds, small buildings, salt sheds, asphalt tanks, inventory storage buildings and pump houses</li> </ul>	<ul style="list-style-type: none"> <li>• original purchase price or completed project costs including basic costs of material and labour or costs of a contractor</li> <li>• costs to remodel, recondition or alter a purchased building to make it ready to use for the acquired purpose</li> <li>• preparation of plans blueprints, and specifications</li> <li>• costs of building permits, studies, tests (pre-acquisition costs)</li> <li>• professional fees for title searches, architect, legal, engineering, appraisals, environmental surveys</li> <li>• operating costs such as temporary buildings used during construction</li> </ul>
Building improvements	<ul style="list-style-type: none"> <li>• major repairs that increase the value or useful life of the building such as structural changes, installation or upgrade of heating and cooling systems, plumbing, electrical, telephone systems</li> </ul>	<ul style="list-style-type: none"> <li>• complete project costs including basic costs of material and labour or costs of a contractor</li> <li>• preparation of plans, blueprints, and specifications</li> <li>• cost of building permits, studies, tests</li> <li>• professional fees for architect, legal, engineering, appraisals, environmental surveys</li> <li>• operating costs such as temporary buildings used during construction</li> </ul>

Leasehold and occupancy improvements	<ul style="list-style-type: none"> <li>improvements that increase the functionality of leased or similar accommodations (refer to the assets listed under the "building improvements" category)</li> </ul>	<ul style="list-style-type: none"> <li>costs similar to those listed under the "building improvements" category</li> </ul>
Operating equipment	<ul style="list-style-type: none"> <li>equipment specific to maintenance, shop and sanitation, safety, appliances, education and communication such as forklifts, welding machines, utility trailers, security systems, snow plows, radios, freezers, refrigerators, washers, meters, defibrillators</li> </ul>	<ul style="list-style-type: none"> <li>original contract price or invoice price</li> <li>freight charges</li> <li>sales taxes on acquisition</li> <li>installation charges</li> <li>charges for testing and preparation</li> <li>costs of reconditioning used items when purchased</li> <li>parts and labour associated with the construction of equipment</li> </ul>
Heavy equipment	<ul style="list-style-type: none"> <li>power and construction equipment such as graders, tractors, cranes, drill rigs, caterpillars, and trucks one tonne and over</li> </ul>	<ul style="list-style-type: none"> <li>original contract price or invoice price</li> <li>freight charges</li> <li>sales taxes on acquisition</li> <li>installation charges</li> <li>charges for testing and preparation</li> <li>costs of reconditioning used items which purchased</li> <li>parts and labour associated with the construction of equipment</li> </ul>
Vehicles	<ul style="list-style-type: none"> <li>used primarily for transportation purposes such as automobiles, trucks under one tonne, vans, boats, all terrain vehicles, snowmobiles, motorcycles, and ambulances</li> </ul>	<ul style="list-style-type: none"> <li>original contract price or invoice price</li> <li>freight charges</li> <li>sales taxes on acquisition</li> <li>costs of reconditioning used items when purchased</li> </ul>
Computer software	<ul style="list-style-type: none"> <li>off the shelf software and related upgrades, software licenses after removing any maintenance or similar charges</li> </ul>	<ul style="list-style-type: none"> <li>purchase price of off the shelf software and related upgrades</li> <li>sales taxes on acquisition</li> <li>installation charges</li> </ul>
Computer hardware	<ul style="list-style-type: none"> <li>servers, voice logging equipment, scanners, printers, hard drives, modems, tape drives, and plotters</li> </ul>	<ul style="list-style-type: none"> <li>purchase price</li> <li>installation charges</li> <li>freight and transit charges</li> <li>sales taxes on acquisition</li> </ul>



System development	<ul style="list-style-type: none"> <li>consultant fees, web site development and custom develop software</li> </ul>	<ul style="list-style-type: none"> <li>external direct costs of materials and services such as consultant fees</li> <li>web site development costs</li> <li>costs to acquire software and any custom development</li> <li>salary and related benefits of employees directly associated with the application development stage</li> <li>costs of upgrades that improve the functionality of the system</li> </ul>
Office furniture and equipment	<ul style="list-style-type: none"> <li>desks, tables, chairs, filing cabinets, fax machines, photocopiers, videoconferencing stations, projectors, and digital cameras</li> </ul>	<ul style="list-style-type: none"> <li>original contract price or invoice price</li> <li>freight and installation charges</li> <li>sales taxes on acquisition</li> <li>costs of reconditioning used items when purchased</li> <li>pats and labour associated with the construction of furniture</li> </ul>
Roads/Streets - construction	<ul style="list-style-type: none"> <li>municipal roads</li> </ul>	<ul style="list-style-type: none"> <li>direct costs of construction including tender construction costs, labour, materials, survey costs, and project specific design costs</li> <li>construction and material costs related to overhead structures and signage</li> <li>salary and travel costs for employees assigned to the project for direct management duties such as project management, inspection and quality control</li> </ul>
Roads/Streets - repaving	<ul style="list-style-type: none"> <li>major resurfacing and preservation overlays on municipal roads</li> </ul>	<ul style="list-style-type: none"> <li>direct costs of construction including labour and materials</li> <li>salary and travel costs for employees assigned to the project for direct management duties such as project management, inspection and quality control</li> </ul>
Bridges - construction	<ul style="list-style-type: none"> <li>bridges</li> </ul>	<ul style="list-style-type: none"> <li>direct costs of construction including tender construction costs, labour, materials survey costs, and project specific design costs</li> <li>salary and travel costs for employees assigned to the project for direct management duties such as project management, inspection and quality control</li> </ul>

Bridges - upgrades	<ul style="list-style-type: none"> <li>• upgrades to bridges</li> </ul>	<ul style="list-style-type: none"> <li>• direct costs of construction including labour and materials</li> <li>• salary and travel costs for employees assigned to the project for direct management duties such as project management, inspection and quality control</li> </ul>
Culverts	<ul style="list-style-type: none"> <li>• Culverts</li> </ul>	<ul style="list-style-type: none"> <li>• Direct costs of construction including tender construction costs, labour, materials, survey costs, and project specific design costs</li> <li>• Salary and travel costs for employees assigned to the project for direct management, inspection and quality control</li> </ul>
Roads/Streets - other	<ul style="list-style-type: none"> <li>• light systems (traffic, outdoor, street) signals for railways, new signage initiative, rumble strips and aggregate pit acquisition costs</li> </ul>	<ul style="list-style-type: none"> <li>• original purchase price</li> <li>• installation charges</li> <li>• charges for testing and preparation</li> <li>• parts and labour associated with construction and installation</li> </ul>
Water infrastructure	<ul style="list-style-type: none"> <li>• dams, drainage facilities, docks, sewer systems, sewage lagoons, marinas, reservoirs, pumping facilities, tanks and associated infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>• original purchase price</li> <li>• direct costs of construction including labour and materials</li> <li>• salary and travel costs for employees assigned to the project for direct management duties such as project management, inspection and quality control</li> </ul>
Other infrastructure	<ul style="list-style-type: none"> <li>• landfills, tanker bases, helipad, dump stations</li> </ul>	<ul style="list-style-type: none"> <li>• costs that support infrastructure but are not included in any other category</li> </ul>

## Schedule B

### Capital Asset Thresholds, Estimated Useful Lives and Amortization

The table below outlines the threshold and estimated useful life application to each capital asset category. A threshold of ALL means that all capital asset purchases, regardless of cost, are recorded.

<b>Capital Asset Class and Category</b>	<b>Threshold</b>	<b>Estimated Useful Life</b>	<b>Amortization</b>
<b>Land and land improvements</b>			
Land	All	Indefinite	N/A
Land improvements	\$1,000	15 years	Straight-Line
Engineered Structures	\$1,000	40 years	Straight-Line
<b>Buildings and building improvements</b>			
Buildings	\$1,000	45 years	Straight-Line
Building improvements	\$1,000	40 years	Straight-Line
Engineered Structures	\$1,000	40 years	Straight-Line
<b>Machinery and equipment</b>			
Heavy equipment	\$1,000	20 years	Straight-Line
Operating equipment	\$1,000	10 years	Straight-Line
<b>Transportation equipment</b>			
Vehicles	\$1,000	10 years	Straight-Line
<b>Office and Info technology</b>			
System Development - Packaged Systems	\$1,000	10 years	Straight-Line
Computer hardware * Co-owned	\$1,000	5 years	Straight-Line
Computer software * Co-owned	\$1,000	5 years	Straight-Line
Office furniture and equipment	\$1,000	10 years	Straight-Line
<b>Infrastructure</b>			
Road/Street - construction	ALL	40 years	Straight-Line
Road/Street - repaving	ALL	15 years	Straight-Line
Water - reservoir	ALL	45 years	Straight-Line
Water - pumps, etc	ALL	25 years	Straight-Line
Culverts	ALL	35 years	Straight-Line
Road/Street - other	ALL	15 years	Straight-Line
Water infrastructure	ALL	75 years	Straight-Line
Infrastructure - other	ALL	15 years	Straight-Line

## **Schedule B**

### **TANGIBLE CAPITAL ASSET RESERVE POLICY (TCAR)**

1. Tangible Capital Asset Reserve (TCAR) funds shall be used for the betterment or replacement of lagoon assets and all related utility infrastructure and shall also be used for any new lagoon assets added to the system.
2. TCAR funds shall be capped at Current Market Value (CMV) of replacement cost of the utility assets and all related infrastructure and will require no further contributions from the members once this limit is reached. This limit (cap) can be changed by unanimous agreement if new lagoon assets of significant value (over \$25,000)<sup>1</sup> are added to the original project. The CMV shall be reviewed and updated every five years or as required based on market fluctuations.
3. TCAR funds shall not be used against general operating expenses or loaned to a member municipality or entity.
4. The allocated percentage of TCAR contributions for each member Municipality shall be based on the members' lagoon usage and is stipulated in Schedule "B" of this agreement.

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<sup>1</sup> This amount may vary and will be determined from time to time at the discretion of the Board of Directors.

## SCHEDULE C

### ASSET POLICY - LAND AND INFRASTRUCTURE

1. 501 Utility Authority Inc. Lagoon SW 11-53-23 W3 \$79,200.  
501 Utility Authority Inc. Booster Station Pt. NW 9-53-23 W3 \$2,610.
2. Financial consideration for the expenditures of the RM of Frenchman Butte No. 501 (33.333%) in the amounts stated above for land at the lagoon and the booster station locations has been paid by the Town of St. Walburg (35.085%) and the Village of Paradise Hill (31.582%).<sup>2</sup>
3. All parties have made parcels of land available to the 501 Utility Authority Inc. for the purpose of building facilities required for the operation of the jointly owned Utility. Said parcels of land are located in the corporate boundaries of each Municipality named above and title of those parcels remains and will remain in the name of the respective municipality.
4. All municipalities with land now having 501 Utility facilities located thereon, have agreed to provide all subject parcels including all access points to the 501 Utility Authority Inc. for a period of not less than ninety-nine years (99 years) for the sum of Zero Dollars (\$ 0.00).
5. The subject properties include the following.
  - i) The St. Walburg Pump Station and RM Truck Dump and access roads.
  - ii) The Paradise Hill Pump Station and access roads.
  - iii) The RM Truck Dump and access roads.
6. List of Assets.

St Walburg Sewage Pump Station and Trunk Dump	\$700,000
Paradise Hill Sewer Pump Station	\$700,000
Booster Station	\$700,000
Truck Dump Station	
Truck Dump Lift Station (no building)	\$300,000
Lagoon Aeration Building	\$700,000
Chain Link Fence at Lagoon	\$100,000

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<sup>2</sup> 2.0 Funding the Authority, Multi-Municipality WasteWater Management Agreement, 2.1.1, November 7, 2019

# **501 UTILITY AUTHORITY INC.**

## **BYLAW No. 14/20**

### **OPERATING RESERVE POLICY AND GUIDELINES**

#### **A BYLAW TO GUIDE THE ESTABLISHMENT AND MAINTENANCE OF A BOARD DESIGNATED OPERATING RESERVE**

##### **Objective:**

The 501 Utility Authority Inc., Board of Directors seeks to ensure the long term stability and sustainability of the operations of the jointly held utility. In establishing this policy, the Board assures the delivery of quality environmental services and liquid domestic waste management services to all the communities, businesses and individuals within the region served by the 501 Utility Authority Inc.

##### **Guiding Principle:**

The general purpose of the Operating Reserve is to ensure the long-term stability of the 501 Utility Authority Inc. and position it to respond to varying economic conditions and changes affecting the 501 Utility Authority Inc. financial position and the ability to continuously carry out its mission.

##### **Policy:**

###### **1. Operating Reserve Ratio – Funding the Reserve**

a) The Board of Directors authorizes the establishment of an operating reserve equal to not less than 25% of the annual operating expenditures of the Utility after deducting the amount allocated to depreciation, (amortization). This amount is equal to 3 (three) months of annual operating expenses.

b) While considering clause (a) above and after setting in place the minimum of 25% or \$35,000 (as at 2020) the Board shall commit to increasing the reserve to a further 25% of operating expenditures by December 31, 2030. This would bring the total ratio to 50 or 6 months of annual operating expenses.

c) Any annual operating surplus (retained earnings) shall be available to fund the operating reserve account until the minimum 25% (three months) of operating expenses is achieved.

d) To establish the Reserve Fund, the board may designate all or a portion, \$15,000 of the \$18,071 of existing accumulated liquid net assets. .

e) The remaining balance of \$20,000 is to be funded over the next five (5) fiscal years through retained earnings and equal increments incorporated into the Utility's annual Operating Budget.

## 2. Terms and Use of the Fund

- a) The Board Chair and with both of the other signing officers may access any amount of the funds to cover budgeted operating expenses if one or more of the quarterly contributions from the funding partners is delayed due to unforeseen circumstances. Notice must be provided to the Board and an approving motion is required at the following meeting of the Board.
- b) The Board may approve access to the reserve account to cover non-budgeted expenses that may be caused by unforeseen circumstances such as weather issues, environmental reclamation and mitigation, health matters, disasters or pandemic related issues impacting the normal operations of the Utility.
- c) Approval of any such usage and the proposed repayment schedule shall be requested by the Chair from all the signing officers (Executive). If approved, such disbursement shall be reported at the next full Board meeting.

## 3. Management of Board Designated Operating Reserve

- a) The Board of Directors is responsible for managing the operating reserve fund and the Board, at its discretion, may open a separate bank account to better manage the fund separate and apart from the general operating account.
- b) Interest earned in the fund will remain in the account and will reduce the funding requirements set out in clause (1).
- c) The Financial Control Policy Bylaw No. 05/20 establishes the principles for management of all the 501 Utility Authority accounts and financial assets, including the Board Designated Operating Reserve.
- d) Depreciation (amortization) of capital assets is not used in determining the funding requirements. A separate Tangible Capital Asset Reserve is established by the Board to cover capital asset maintenance and replacement.

## 4. Board Designated Operating Reserve Shortfalls.

- a) If the Reserve is and has been less than 75% of the targeted reserve level for two consecutive years, the Board will adopt an operating budget with a projected surplus to rebuild the reserves over the following two (2) to four (4) years or until the reserve is restored to the targeted fund balance.
- b) The Board shall be responsible for assuring that the funds are invested prudently and the Board shall ensure that the targeted reserve levels are maintained and any shortfalls are addressed as required.