



Council Policy

Policy Title: Reserves
Policy Number: FIN-007
Date in Effect: August 22, 2017
Current as of: November 5, 2024

POLICY STATEMENT

- 1 Canmore is sustainable only if both its capital infrastructure assets and its financial assets can be maintained over the long term. It is the policy of the Town of Canmore to establish reserve funds to ensure the long-term financial stability and flexibility of the Town of Canmore, to position it to respond to varying economic conditions and changes affecting the Town's financial position, and to ensure the organization has the ability to continuously carry out its responsibilities.

PURPOSE

- 2 The purpose of this policy is to establish guidelines, limits, and conditions applicable to the segregation of the Town of Canmore's accumulated surplus, referred to as restricted surpluses in its audited financial statements, into reserves funds. The reserves practices will ensure a favourable and sustainable financial position while supporting the ability to meet current and future operating and infrastructure requirements by maintaining reserves funds sufficient to achieve the following:
 - a) The organization has sufficient working capital so that it is able to sustain operations through delays in receipt of payments of committed funding and to accept reimbursable contracts and grants without jeopardizing ongoing operations;
 - b) The organization has sufficient resources to fund the acquisition or construction of new capital assets and the replacement and rehabilitation of major capital infrastructure assets, as required and as identified in the Town of Canmore Strategic, Capital, and Long-Term Financial Strategy Plans;
 - c) Public confidence in the long-term sustainability of the organization is promoted by preventing cash flow crises that can diminish its reputation and force its leaders to make expensive short-term, crisis-based decisions;
 - d) The organization has sufficient resources to fund budgeted contingency amounts for unpredictable revenues, volatile expenditures, and unanticipated opportunities and/or challenges;
 - e) To contribute favourably to the liquidity position of the organization;

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- f) A favourable credit status and financial flexibility is maintained;
- g) The organization complies with the industry best practices; and
- h) The organization meets the objectives of the Town's Debt Management Policy, the Property Tax Policy, Long Term Financial Strategy, and the Town of Canmore Strategic Plan.

255-2024

DEFINITIONS

- 3 "Capital Reserves" means the portion of unrestricted net assets that the Town maintains, or that Council has designated (or "restricted") for use in maintaining an adequate reserve to acquire or construct new capital assets and replace and rehabilitate major capital infrastructure assets as required, and as identified in the Town of Canmore Strategic, Capital, and Long-Term Financial Strategy Plans.
- 4 "Dedicated Reserves" means the portion of unrestricted net assets that the Town has collected from developers to fund specific initiatives and/or projects. The funds may not be used for any other purpose than what they were collected for.
- 5 "Depreciation" means the amortization amount of fixed assets, such as buildings and equipment, in order to allocate the cost over its useful life. It is a process of cost allocation and not valuation. Depreciation increases expenses but does not reduce cash.
- 6 "Operating Expenses" means the annual expenditures to fund regular operations and for greater certainty, do not include transfers from operating to fund capital expenditures, transfers to reserves, internal transfers between departments, and funds expended on non-tangible capital asset.
- 7 "Operating Reserves" means the portion of unrestricted net assets that the Town maintains, or that Council has designated (or "restricted") for use in:
 - a) emergencies to sustain financial operations for a reasonable period in the event of significant and unanticipated, unbudgeted increases in Operating Expenses and/or losses in operating revenues, and/or
 - b) funding budgeted contingencies for non-emergent but unpredictable revenues, volatile expenditures, and unanticipated opportunities and/or challenges, and/or
 - c) funding for the mitigation of tax rate increases.
- 8 "Program Specific Reserves" means the portion of unrestricted net assets that the Town maintains, or that Council has designated (or "restricted") for use in specific initiatives or programs for which the funds are collected.

GENERAL GUIDELINES

- 9 All reserve transfers, re-designations, revisions, and new account requests must be approved by Council. Approvals may be in the form of:
 - a) The annual operating or capital budget approval;
 - b) A carryover project that was contained in an approved operating or capital budget; or
 - c) A Council resolution.
- 10 Draws from reserves must not exceed the fund balance unless it can be demonstrated to Council that future sources of revenue will provide adequate funding to return the fund to a positive balance.
- 11 All operating and capital reserve funds must be fully described and include a purpose, source of funding, minimum level, optimum or target level, and the rationale used to establish the levels.
- 12 Before creating a new reserve fund, the option of adding an incremental contribution to an existing fund of a like nature will be considered.
- 13 The prescribed fund limits will be reviewed by Council at least once each term of office.
- 14 Interest will be paid to all reserve funds based on the average balance, calculated as the opening plus closing balances divided by two, at the annual average rate of return on long and short-term investments.
- 15 The Town will maintain reserve funds in accordance with Schedules A, B, and C.
- 16 Program Specific Reserve funds are intended to accumulate the money collected for specific initiatives or programs stipulated at the time of collection.

255-2024

MANAGEMENT OF THE RESERVE FUNDS

- 17 Under the direction of Council, the chief administrative officer or their designate will ensure funds are invested according to the guidelines set out in the Town's Investment Policy and in accordance with provincial legislation.
- 18 Reserve funds will be drawn down only under circumstances specific to the individual reserve fund.
- 19 For reporting purposes, the reserve funds will be listed separately in the "notes" section of the Town's financial statements.

RESPONSIBILITIES

- 20 Only Council can approve the drawing down of a fund for operating or capital purposes.
- 21 The Finance Committee will review the reserves policies at least every term of Council, or sooner if conditions warrant, and provide recommendations for Council approval.

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22. Administration will annually provide Council with:
- a) Actual year end reserve fund balances;
 - b) Five-year, projected, uncommitted reserve fund balances;
 - c) Five-year, anticipated reserve contributions and draws;
 - d) Reserve fund statistics as follows:
 - i) capital reserve fund contributions as a ratio to capital asset value,
 - ii) capital reserve fund contributions as a percentage of annual Depreciation,
 - iii) the ratio of reserve funds to outstanding debt,
 - iv) the unamortized balance of capital assets relative to historical cost (the asset consumption ratio), and
 - v) total annual budgeted operating expenditures.

255-2024

- a) Livability Tax Program key performance indicators (KPIs) as follows:
 - i) count and percent of properties occupied and not occupied by primary residents, by type and location,
 - ii) count and percent of owner versus tenant occupied properties, by type and location,
 - iii) count and percent of primary residence properties with multiple dwelling units,
 - iv) incremental revenues associate with the Livability Tax Program,
 - v) number of Tourist Homes converted to Residential,
 - vi) count and percent of exempt properties by reason,
 - vii) average assessed value of non-primary residences versus all residential properties,
 - viii) number and percent of declaration audits per year,
 - ix) number and percent of false declarations of all those audited,
 - x) amounts of taxes recovered,
 - xi) dollar value of fines issued,
 - xii) number of complaints received from the public about houses not occupied as primary residences, and
 - xiii) number and percent of complaints found to be valid.

255-2024

23 Repealed

255-2024

POLICY REVIEW

24 This policy will be reviewed by Council on or before July 30, 2029.

255-2024

RELATED DOCUMENTS

Municipal Government Act
 Debt Management Policy
 Property Tax Policy
 Investment Policy
 Town of Canmore Strategic Plan
 Town of Canmore Long Term Financial Strategy

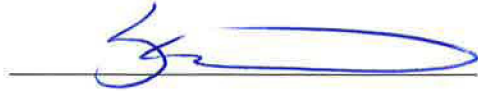
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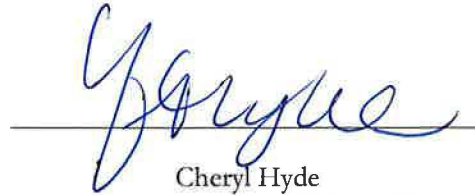
ATTACHMENTS

- 1) Reserves Policy – Schedule A
- 2) Paid Parking Revenue Allocation Model --Schedule B
- 3) Franchise Fee Allocation Model – Schedule C

REPEALS POLICY: Reserves Policy 223-2016

AUTHORIZATION


Sean Krausert
Mayor



Cheryl Hyde
Manager, Municipal Clerk's Office

REVISION HISTORY

Action	Date	Council Motion	Notes
Approved	2017-08-22	62-2017FIN	Approved by the Finance Committee
Amended	2021-02-23	44-2021	Schedule A: add sustainability reserve and paid parking reserve, amend PAH to Vital Homes
Amended	2021-08-17	197-2021	Schedule A: amend art trust; update formatting and numbering in policy
Amended	2022-04-05	87-2022	Schedule A: add development application reserve
Amended	2023-12-05	313-2023	Schedule A: amend paid parking reserve to Integrated Transportation Management Reserve (name and description/usage change)
Amended	2024-11-05	255-2024	Add Livability Tax Program KPI reporting and a new Livability Reserve Added Schedules B and C

Policy approved by:



Schedule A

Fund	Purpose	Funding Source(s) *	Minimum \$ Level	Target/Optimum \$ Level	Rationale Used to Establish Levels
OPERATING					
General Municipal Operating	For working capital purposes, to provide funding for unanticipated operating expenditures in the course of providing municipal services, and for unforeseen general operating emergency expenditures.	One time transfers and one-time unbudgeted sources of revenue.	5% of annual operating expenditures	10% of annual operating expenditures	GFOA best practices as applied upon assessment of the Town's circumstances and considering any short term operating credit facilities available.
Corporate Operating Contingency	Subject to multi-year budgeting being approved by Council or required by provincial legislation, to fund unexpected or emergent operating demands that arise as a natural consequence of multi-year budgeting.	Original fund established by a transfer from the general operating reserve and then from municipal property taxes as required. <small>44-2021</small>	1% of annual budgeted municipal property taxes	1.5% of annual budgeted municipal property taxes	Comparison to amounts set by other municipalities and historical experience with amounts actually utilized each year.
Tax Stabilization	To mitigate tax rate increases in cases of an emergent and/or non-recurring nature. <small>44-2021</small>	One time transfers and one-time unbudgeted sources of revenue.	3% of annual operating expenditures	7% of annual operating expenditures	GFOA best practices so that the total of this and the general operating fund equal a minimum of 1 month (8%) and an optimum of 2 months (17%) of annual operating expenditures.
CAPITAL					
General Municipal Capital	To fund new capital projects or for capital expenditures necessary in cases of emergency.	Transfers from property tax revenue, unspent annual contributions to capital from operations, and one time transfers to boost reserve levels.	Adequate to fund new capital projects identified as reserve funded in the long term financial strategy and capital planning summary and unanticipated capital expenditures within the next 5 years.	Adequate to fund new capital projects identified as reserve funded in the long term financial strategy and capital planning summary and unanticipated capital expenditures within the next 10 years.	Best practices call for fund balances based upon an analysis of the needs of the municipality, taking into consideration long term financial strategies, capital project plans, and asset management plans.
PROGRAM SPECIFIC					
Asset Replacement/ Rehabilitation	To fund asset rehabilitation and replacement capital projects.	Transfers from annual operating surpluses, franchise fees (Schedule C), budgeted transfers from municipal property tax revenue, and other one-time transfers to boost reserve levels. <small>255-2024</small>	Adequate to fund rehabilitation and replacement capital projects identified as reserve funded in the long term financial strategy and capital planning summary and unanticipated capital expenditures within the next 5 years.	Adequate to fund rehabilitation and replacement capital projects identified as reserve funded in the long term financial strategy and capital planning summary and unanticipated capital expenditures within the next 10 years.	Best practices call for fund balances based upon an analysis of the needs of the municipality, taking into consideration long term financial strategies, asset management plans, and annual Depreciation amounts.
Flood Mitigation Structure Maintenance	To fund the work required to maintain flood mitigation structures, particularly after an event.	Budgeted transfers from municipal property tax revenue.	\$250,000	\$2,000,000	Estimated cost to maintain flood mitigation structures.
Water Utility	To fund capital projects related to the Water and Utility metering Systems.	(1) special financing initiatives (2) special requisitions (3) grant funding specific to utility programs (4) net surplus from annual operations of the Utility department	\$2,000,000	\$2,500,000	Rate model projections of reserve requirements to fund anticipated water capital projects over the next 10 years.
Wastewater Utility	To fund capital projects related to the Wastewater and Storm Drainage Systems.	(1) special financing initiatives (2) special requisitions (3) grant funding specific to utility programs (4) net surplus from annual operations of the Utility department	\$3,000,000	\$4,000,000	Rate model projections of reserve requirements to fund anticipated wastewater capital projects over the next 10 years.

Schedule A

Solid Waste Collection	To fund the lifecycle replacement of capital infrastructure or future capital acquisitions relating to solid waste collection services.	(1) special financing initiatives, (2) special requisitions (3) grant funding (4) net operating surplus of the Solid Waste Collection department	\$250,000	\$300,000	Rate model projections of reserve requirements to fund anticipated solid waste collection capital projects over the next 10 years.
Solid Waste Recycling	To fund the lifecycle replacement of capital infrastructure or future capital acquisitions relating to solid waste recycling services.	(1) special financing initiatives, (2) special requisitions (3) grant funding (4) net operating surplus of the Solid Waste Recycling department	\$250,000	\$350,000	Rate model projections of reserve requirements to fund anticipated solid waste recycling capital projects over the next 10 years.
Vital Homes <small>44-2021 255-2024</small>	To fund the construction and operation of Vital Homes units and acquisition of land as determined in consultation with CCHC. <small>44-2021 255-2024</small>	Mill rate assessment on residential and non-residential sectors, and one-time transfers to boost reserve levels per Council resolution or policy.	TBD	TBD	Best practices call for fund balances based upon an analysis of the needs of the municipality, taking into consideration strategic and capital project plan.
Photo Radar	To fund expenses related to policing or traffic safety initiatives and community safety initiatives and programs.	Net revenues from contracted photo radar speed enforcement	None	None	None
Art Trust Fund	To fund local, invitational, open or commemorative art competitions, community art projects, public art projects, and related maintenance and operations of the public art program	Annual budget allocations equal to \$5 per capita and allocation of 0.5% of the average of the previous five-year period's annual approved budgets' Town contributions to above ground construction projects. <small>197-2021</small>	None	None	None
Economic Development	To fund economic development initiatives and/or programs.	Any positive differences between the funding provided economic development initiatives/programs and the amount collected from Business Registry fees, and one time contributions to boost balances.	None	None	None
Sustainability <small>44-2021</small>	To fund programs and projects to finance and promote energy efficiency, greenhouse gas reduction measures, and climate adaptation. See attached Schedule C. <small>44-2021 255-2024</small>	Transfers from franchise fees. <small>44-2021</small>	None <small>44-2021</small>	None <small>44-2021</small>	None <small>44-2021</small>
Integrated Transportation Management Reserve <small>44-2021 313-2023</small>	To fund strategies of the Integrated Parking Management Plan including but not limited to transit operations and infrastructure, parking infrastructure, maintenance and rehabilitation, and complete streets infrastructure including enhancements to the Town Centre. See attached Schedule B. <small>44-2021 313-2023 255-2024</small>	Paid Parking Revenue Allocation Model (PPRAM) <small>44-2021 313-2023</small>	None <small>44-2021</small>	None <small>44-2021</small>	None <small>44-2021</small>

Schedule A

<p>Development Application Reserve 87-2022</p>	<p>To provide funding for scalable resourcing levels required to accommodate fluctuations in planning and development applications without requiring tax-funded support. The reserve is used to stabilize the operating budget, fund one-time operating expenditures, and fund capital expenditures related to businesses enhancements that support the processing of development related applications. 87-2022</p>	<p>Annual operating surpluses from fee supported operations in the Planning & Development and Engineering departments. 87-2022</p>	<p>None 87-2022</p>	<p>The target balance for the reserve is 50% of annual budgeted fee-based expenditures in Planning & Development and Engineering. 87-2022</p>	<p>The optimum level is intended to provide sufficient rate-supported stabilization to the fee-supported operations to either scale up to meet higher than anticipated volumes; and to retain a core staff complement in the event of a sustained downturn in application volumes. 87-2022</p>
<p>Livability Reserve 255-2024</p>	<p>To fund livability initiatives in one or more of the following areas: increasing purpose built rental development, increasing non-market housing including the purchase of related land or property, supporting infrastructure for non-market housing, incentivizing accessory buildings or dwelling units, providing grants to non-profit housing providers who operate or deliver affordable housing to low income households, funding the cost of administering the Livability Tax Program and implementing the initiatives, and/or preserving existing affordable rental housing. 255-2024</p>	<p>Funds are collected from the Livability Tax Program. 255-2024</p>	<p>None 255-2024</p>	<p>None 255-2024</p>	<p>None 255-2024</p>
DEDICATED - FUNDED BY DEVELOPMENT					
<p>Offsite Levy</p>	<p>To fund the future costs to provide new or expanded infrastructure required for development. 44-2021</p>	<p>Levies assessed to development in accordance with the Municipal Government Act</p>	<p>None</p>	<p>None</p>	<p>None</p>
<p>Recreation Levy</p>	<p>To fund recreation projects in accordance with the Recreation Contribution Policy.</p>	<p>To accumulate voluntary contributions from development towards new recreation infrastructure</p>	<p>None</p>	<p>None</p>	<p>None</p>
<p>Cash in-lieu of Bear Bins</p>	<p>To fund the purchase and installation of a waste containers within existing neighbourhood required as a result of in-fill development</p>	<p>In-lieu cash payments from developments where the total number of residential units is less than eight (8)</p>	<p>None</p>	<p>None</p>	<p>None</p>
<p>Cash in-lieu of Parking</p>	<p>To fund the purchase of land suitable for future parking developments and to plan, develop and construct parking facilities</p>	<p>Funds are collected as part of the Development Permit process, and payments are outlined in a Development Agreement.</p>	<p>None</p>	<p>None</p>	<p>None</p>
<p>Cash in-lieu of Municipal Reserve</p>	<p>To fund public parks, public recreation areas or school authority developments as are allowed by Section 671(2) of the MGA</p>	<p>Funds are collected as part of the Subdivision approval process, and payments are outlined in a Subdivision Servicing Agreement.</p>	<p>None</p>	<p>None</p>	<p>None</p>

Schedule B- Paid Parking Revenue Allocation Model (PPRAM)

Amended on November 5, 2024 by motion 255-2024.

Principle 1 – Cost Recovery Principle: The full cost of parking management should be covered with the revenues of the paid parking program. Each budget cycle, the program costs are approved by Council, based on projected resource requirements, and estimated revenues.

Regular fee reviews will be conducted with every two-year budget cycle. Administration will bring forward differential pricing strategies that will include analysis of existing market price and utilization, peak-load pricing, pricing based on location scenarios etc.

Principle 2 - Benefits and Subsidies Principle: The costs of parking should be borne by those that benefit from parking, with a user-pay approach being preferable to general taxation. This approach directs a greater share of costs to those directly benefiting and reduces subsidies for driving. The community at large benefits from the provision of transit as it reduces traffic congestion and parking demand. The benefit is maximized when transit usage is maximized. Making local transit fare-free offset by parking revenues was identified as a primary strategy for parking management in the Integrated Parking Management Plan and approved by Council. Offsetting a portion of the costs of local transit with parking revenues continues to be a complimentary strategy in support of parking goals.

Principle 3 - Management of Public Assets Principle: The Town has a responsibility to appropriately manage and maintain its assets to ensure the ongoing function and benefit to the community. Transportation infrastructure assets (pathways, roads, streets, transit, signage, parking) represent a significant portion of the Town's asset base. This principle recognizes that the cost of lifecycle maintenance and improvements of these assets should be considered when determining the allocation of the paid parking revenues.

Following these principles, paid parking revenues will be allocated in the following manner:

Operating Expenses

Based on the cost recovery principle, the paid parking revenues will first and foremost offset direct costs associated with the paid parking operations. The net income will then be transferred as per the allocation in the following sections.

In the unlikely event that the paid parking revenues are not sufficient to cover all the Operating Expenses, a draw from the Integrated Transportation Management Reserve would occur. Should the balance in the ITM not be sufficient to cover paid parking Operating Expenses and the planned transit amount, a draw from the Tax Stabilization Reserve would take place. Transfers to reserves, the Town Centre Grant Program, and the Rocky Mountain Heritage Foundation would not occur. In such a circumstance, the paid parking Operating Expenses need to be reduced while looking for strategies to increase the paid parking revenues.

Transit Services

Net paid parking revenues will continue to cover a portion of transit costs that would have otherwise been covered by user fees or tax funded. Parking revenues collected in the Town Centre and at Quarry Lake are directed back into a service that directly benefit residents, visitors, and businesses in those areas and will continue the social benefit of managing parking demand and congestion, and providing a safe, accessible, and affordable transportation option.

To ensure sustainability of this vital service, a fixed amount for each fiscal year of transit operations within the two-year budget process is funded as the priority from net paid parking revenue. This amount, which is informed by the Bow Valley Regional Transit Services Commission budget requisition should not exceed 50% of the net paid parking income.

It is recommended that contributions to transit operations do not exceed 50% of net paid parking income, to allow for an approximate equal split between operating and capital contributions. Contribution to the Integrated Transportation Management capital reserve will allow for funding of infrastructure, maintenance, and replacement in support of the Integrated Parking Management Plan, including transit operations.

Rocky Mountain Heritage Foundation

As co-owners of the Quarry Lake, 50% of the net paid parking revenue attributable to Quarry Lake operations is paid to the Rocky Mountain Heritage Foundation subject to the final executed agreement. Exact amounts will vary each year based on actual Quarry Lake operations' revenues and expenses.

Town Centre Grant Program

The Town Centre Grant Program was developed in 2022 in consultation with the Downtown Business Improvement Area (BIA).

The grant program creates a mechanism through which the BIA can request funding to deliver on projects, programs, or initiatives to support the enhancement of the BIA area in alignment with Town Strategic documents while keeping the focus on areas of the BIA boards' strategic priorities. Eligible grant-funded projects are reviewed and ranked by a small group of Town staff based on their ability to demonstrate fit with the purpose of the grant and its eligibility criteria. Applications will be evaluated against the following criteria:

- *Strategic Plan and Guiding Document Alignment* – how the project supports the objectives and key results in Council's Strategic Plan and other guiding documents.
- *Multi-Modal Transportation and Parking* – how the project aligns with the guidance provided in the ITP and IPMP.
- *Economic Benefit* – how the project benefits the Town Centre business community and how the project utilizes other grants or funding sources.

Council approves the grant funding as part of the two-year budget approval process based on the PPRAM. The process of allocation is intended to be collaborative between the Town and BIA. Unspent grant funds are set aside in the Asset Replacement/Rehabilitation Reserve for future Town Centre Grant Program needs.

Based on historical community grants and other Town Centre enhancement funding opportunities (e.g., in-street patios, vibrancy initiatives) an amount of \$50,000 annually was approved by Council. There are

significant infrastructure capital needs outside of this grant program and therefore this grant stream will be used for capital or operating programs/services with no recurring operating impact to municipal taxes.

Contribution to Reserve

Following the allocation to cover Operating Expenses, transit services, RMHF and the Town Centre Grant Program as outlined above, the balance of net parking income will be transferred to the Integrated Transportation Management Reserve to fund future maintenance and replacement/rehabilitation of existing assets as well as to fund improvements. This approach seeks to provide sufficient resources for Integrated Transportation Management Plan implementation while helping to close the gap that currently exists between reserve contributions and anticipated lifecycle maintenance needs.

Schedule C- Franchise Fees Allocation

Amended on November 5, 2024 by motion 255-2024.

Franchise fees are used in their entirety to support capital requirements and climate action initiatives.

Starting in 2021, operating budget support for capital came from franchise fees as opposed to taxes. A percentage of the franchise fees fund climate action initiatives with the residual going to the Asset Replacement/Rehabilitation Reserve.

Each year, an amount that is roughly 5% of the previous year's taxes is transferred to fund operating capital items. This funding is applied to the capital program before drawing funding from reserves.

A further portion of the franchise fees is then used to support climate action initiatives, and this increases by a percentage point each year to a maximum of 10%. This allocation is calculated at 8% in 2024, 9% in 2025 and 10% in 2026 with the phased in increases. In addition to the increased percentages, and even once the maximum 10% is reached, the portion flowing to climate action initiatives will also continue to grow over time with the annual growth in franchise fee revenue from community growth and usage. The allocation to climate action initiatives funds 75% of the Climate Change Specialist position with the remaining 25% funded from utilities fees, as the position supports the commercial and residential organics programs. The remainder after funding this position flows to the Sustainability Reserve where it is available for the purposes as specified in Schedule A.

90% of annual franchise fees fund the Asset Replacement/Rehabilitation Reserve. 10% of annual franchise fees flow to the Sustainability Reserve to fund climate action initiatives.

FORTIS FRANCHISE FEES

The Town and FortisAlberta entered into a franchise agreement in 2003 for a period of 10 years and renewed the agreement for a further 10 years in October of 2013. Administration has now signed a five-year renewal of this agreement. For each calendar year, the franchise fee is calculated as a percentage of FortisAlberta's actual revenue in that year from the distribution tariff rates charged for electric distribution service within the Municipal service area, excluding any amounts refunded or collected pursuant to riders. This type of revenue grows each year as the community expands and is significant in managing growth pressures.

Fortis franchise fees are set at 16% in 2024 and thereafter, a 2% increase will be implemented every other year until the maximum fees permissible of 20% is achieved in 2028.

ATCO FRANCHISE FEES

ATCO Gas has been supplying natural gas to the Town of Canmore and its residents under a Franchise Agreement since 1966, which was renewed in 2015. The agreement grants ATCO Gas the exclusive right to provide natural gas distribution services, construct, operate, and maintain the distribution system, and make use of roads, rights-of-way, and land owned by the Town for those purposes within the municipality. In exchange for the exclusive franchise, ATCO Gas takes the full responsibility for the distribution service, construction, operation, and maintenance of the distribution system, and collects a franchise fee from the consumer that is paid to the Town. The maximum franchise fee rate permissible is 35%.

The ATCO franchise fee is a percentage in each calendar year of ATCO Gas' actual total revenue derived from the delivery tariff, including the fixed charge, base energy charge, and demand charge, but excluding the cost of natural gas.

ATCO franchise fees are currently set to the maximum 35%.