

ALBERTA CAPITAL FINANCE AUTHORITY

MANDATE AND ROLES DOCUMENT

made September 12, 2018

This Mandate and Roles Document has been developed jointly by Alberta Capital Finance Authority and the President of Treasury Board, Minister of Finance, pursuant to the *Alberta Public Agencies Governance Act*. It replaces the Mandate and Roles Document signed by Alberta Capital Finance Authority on June 26, 2013 and by the President of Treasury Board, Minister of Finance on July 16, 2013.

1. INTRODUCTION

1.1 Definitions:

In this document:

- “ACFA” means Alberta Capital Finance Authority;
- “ACFA Act” means the *Alberta Capital Finance Authority Act*, including any amendments;
- “APAGA” means the *Alberta Public Agencies Governance Act*, including any amendments;
- “Assistant Deputy Minister” means the Assistant Deputy Minister of the Department whose responsibilities include ACFA;
- “Chair” means the Chair of the board of directors of ACFA;
- “Department” means the Department of the Minister, currently established as the Department of Treasury Board and Finance of the Government of Alberta;
- “Directors” means the directors of ACFA;
- “FAA” means the *Financial Administration Act* (Alberta), including any amendments;
- “Government of Alberta” has the same meaning as “Her Majesty the Queen in right of Alberta”, and “Crown in right of Alberta”;
- “LGIC” means the Lieutenant Governor in Council;
- “Local Authority” means a city, an educational authority, a health authority, a municipal authority, a regional authority, a summer village, a town or a village as defined or referenced in the ACFA Act;
- “Minister” means the President of Treasury Board, Minister of Finance, or such other Minister of the Government of Alberta as is designated as the Minister responsible for the ACFA Act;
- “MRD” means this Mandate and Roles document; and
- “Vice-Chair” means the Vice-Chair of the board of directors of ACFA.

1.2 Nature of this Document:

This MRD is made by ACFA and the Minister pursuant to and in accordance with the requirements of section 3 of APAGA. This MRD is not a contract, nor does it establish or create legal obligations. Rather, it describes and reflects the mandate of ACFA, its relationship with the Minister and the Department, its governance and operational structure, and respective roles and responsibilities.

APAGA requires that this MRD be reviewed and renewed, amended or replaced within three years after it was made or most recently renewed or amended.

2. GOVERNING LAW

2.1 Statutory Mandate of ACFA:

The ACFA Act continues ACFA as a corporation with the mandate of:

- providing Local Authorities that are its shareholders with financing for capital projects;
- acting as a financial agent for a Local Authority that is its shareholder in negotiating loans or refinancing securities of the Local Authority or in any other capacity authorized by the regulations;
- managing its liabilities and its financial and business affairs in such a manner so as to enhance ACFA's ability to effectively carry out its activities in an economical and efficient manner; and
- providing any other financial services prescribed or otherwise authorized by the LGIC.

Pursuant to the *Alberta Capital Finance Authority Regulation*, ACFA is also authorized to finance or refinance existing capital projects of Local Authorities.

The shareholders of ACFA fall within the following five classes:

- the Class A shareholder, being the Government of Alberta;
- Class B shareholders, being municipal authorities, health authorities and regional authorities (all as defined or referenced in the ACFA Act);
- Class C shareholders, being cities under the *Municipal Government Act*;
- Class D shareholders, being towns, villages and summer villages under the *Municipal Government Act*; and
- Class E shareholders, being educational authorities (as defined in the ACFA Act).

A Local Authority may make an application to the ACFA to become a shareholder within the applicable class.

2.2 ACFA Status:

ACFA, by statute, is an agent of the Crown and its debt is guaranteed by the Crown. ACFA is entitled to all legal immunities and any applicable rights and benefits of the Government of Alberta.

ACFA is a “Provincial corporation” as that term is defined in the FAA.

2.3 Regulations:

The *Alberta Capital Finance Authority Regulation*, in addition to authorizing ACFA to finance or refinance existing capital projects of Local Authorities as noted above, also limits ACFA’s aggregate principal sum of all outstanding loans and securities to a maximum amount as set out in the regulation from time to time.

ACFA is also governed by the *Allotment of Shares Regulation*, which prescribes requirements for the allotment of shares to ACFA’s five classes of shareholders.

2.4 Other Governing Legislation:

In addition to the ACFA Act, ACFA has duties and obligations under various Alberta statutes, most significantly the following:

- APAGA, which applies to ACFA as a “public agency” under that Act;
- the *Conflicts of Interest Act*, which requires ACFA to implement a code of conduct in accordance with the requirements of that Act;
- the FAA, which governs the ACFA as a “Provincial corporation”, but subject to the *Funds and Agencies Exemption Regulation* which exempts ACFA from sections 37 and 38 of the FAA;
- the *Fiscal Planning and Transparency Act*, which requires ACFA as an “accountable organization”, that is part of the Minister’s ministry, to provide a business plan and annual report for each fiscal year;
- the *Freedom of Information and Protection of Privacy Act*, which applies to ACFA as a “public body” under that Act;
- the *Public Interest Disclosure (Whistleblower Protection) Act*, which applies to the ACFA as a “public entity” under that Act;
- the *Public Sector Compensation Transparency Act*, which applies to ACFA as a “public sector body” under that Act; and
- the *Reform of Agencies, Boards and Commissions Compensation Act*, which includes obligations to provide information on ACFA’s compensation policies, plans, guidelines, programs and studies.

Because ACFA is a “Provincial corporation” the Auditor General of Alberta is the auditor of the ACFA.

ACFA’s procurement practices are subject to the New West Partnership Trade Agreement and the Canadian Free Trade Agreement, entered into by the Government of Alberta.

3. ACFA OPERATIONS

3.1 Borrowing Activities:

Under the FAA, ACFA has the authority to borrow money by issuing securities. To fund its loans to Local Authorities that are its shareholders, ACFA borrows money from the Government of Alberta pursuant to an agreement (the Lending, Borrowing and General Service Agreement) under which the Government of Alberta loans money to ACFA from its own cash reserves or from funds the Government of Alberta itself borrows in the capital markets. The money is lent to ACFA at a cost equivalent to the Government of Alberta’s implied or actual cost to borrow the money in the capital markets.

In conjunction with these borrowing activities, the Government of Alberta may enter into financial derivative transactions to hedge interest rate, currency and other risks associated with the borrowings for the benefit of ACFA. Under an agreement with the Government of Alberta (the On-Swap Agreement), ACFA is authorized to enter into these financial derivative transactions on behalf of, and as agent for, the Government of Alberta.

3.2 Lending Activities:

ACFA lends money to Local Authorities that are its shareholders to finance capital projects of the Local Authorities. Money is loaned at interest rates derived based upon ACFA’s cost of borrowing money which includes financing and operating costs. ACFA has full discretion to provide loans subject to financing policy guidelines established by ACFA for each class of shareholder. These policies are made available to the public on ACFA’s website.

3.3 Governing Contractual Framework:

The following contracts are foundational in assisting ACFA to achieve its mandate:

- the previously mentioned Lending, Borrowing and General Service Agreement between the Government of Alberta and ACFA which sets out: (i) the framework upon which the Government of Alberta lends money to ACFA, and (ii) the services provided by the Government of Alberta to ACFA in support of ACFA’s lending activities;
- the previously mentioned On-Swap Agreement between the Government of Alberta and ACFA with respect to the Government of Alberta entering into financial derivative transactions at the request of ACFA for ACFA’s benefit, and authorizing ACFA to enter

into these transactions on behalf of, and as authorized agent for, the Government of Alberta; and

- master and specific loan agreements with Local Authorities that are shareholders of ACFA with respect to the provision of loans to finance capital projects of the Local Authorities.

3.4 Corporate Administration:

ACFA has no employees. Its operations are managed by staff seconded from the Department, but ACFA and its staff are operationally independent of the Government of Alberta.

ACFA funds its operations on a cost-recovery basis.

3.5 Budget and Planning:

The Fiscal Plan that is required to be prepared annually by the Minister pursuant to the *Fiscal Planning and Transparency Act* must include ACFA as a prescribed “Provincial agency”. Accordingly, ACFA will, in consultation and collaboration with the Department, prepare an annual budget and operational plan.

3.6 Subsidiaries:

ACFA does not have any subsidiaries.

4. GOVERNANCE

4.1 Directors:

Pursuant to the ACFA Act, the business of ACFA is administered by a board of directors consisting of nine persons appointed or elected as directors, as follows:

- five directors appointed by the LGIC; and
- four directors elected, one by each of the class B through E shareholders, at an annual general meeting of ACFA.

Directors appointed by the LGIC may be appointed for a term not exceeding three years as specified in the appointment. Directors elected by each class of shareholder that are the Local Authorities are elected for a term of three years (subject to elected director term staggering requirements which may result in a term less than three years or a term up to four years for a particular director). Directors are eligible for reappointment or reelection, subject to serving a maximum of nine consecutive years as per the provisions of the ACFA Act and APAGA.

The recruitment and nomination process for Directors appointed by the LGIC is guided by the provisions of APAGA and is subject to generally applicable policies and processes established by

the Government of Alberta. Up to, but not more than, two employees of the Government of Alberta may be appointed as Directors by the LGIC as per the provisions of the ACFA Act.

The recruitment and nomination process for Directors elected by Local Authorities that are shareholders are guided by a competency matrix (developed by ACFA and approved by the Minister) that identifies the representative skill sets required from persons who are considered for nomination and election to the Board.

The responsibilities of the Directors include:

- appointing the President of ACFA and overseeing their activities;
- approval of ACFA's annual financial statements and annual budget;
- the orientation and training of new Directors; and
- the evaluation of Directors' performance.

4.2 Officers, Committees and Bylaws:

Pursuant to the ACFA Act, the Minister may appoint from among the Directors a Chair and one or more Vice-Chairs of the board of directors. The Chair and the Vice-Chair are appointed by ministerial order.

The President of ACFA, as appointed by the Board, is responsible for the day-to-day operations of ACFA.

The Directors have established the following committees:

- Audit Committee; and
- Asset Liability Committee (a management committee).

Pursuant to the ACFA Act, the Directors have the authority to make resolutions (bylaws) pertaining to the operation or business of ACFA.

4.3 Code of Conduct:

ACFA has, in accordance with APAGA, established a Code of Conduct and Ethics Policy (including the process for administering the Code of Conduct and Ethics Policy) governing the conduct of its Directors and seconded employees.

Seconded employees are also subject to the Code of Conduct and Ethics for the Public Service of Alberta.

As required pursuant to the *Conflicts of Interest Amendment Act, 2017*, ACFA will review and amend (as required) its Code of Conduct and Ethics Policy.

A copy of the Code of Conduct and Ethics Policy is made available to the public on ACFA's website.

4.4 Roles and Responsibilities:

The respective roles and responsibilities of ACFA, the Directors, the ACFA President, the Minister and the Department in relation to ACFA and its operations are as follows:

- ACFA is responsible for carrying out its statutory mandate, complying with other applicable enactments, and performing its contractual obligations;
- Directors are collectively responsible for governance and overseeing the strategic direction of ACFA;
- the President is responsible for operational management of ACFA, subject to directions from the Directors;
- the Minister is responsible for overseeing the operations of ACFA as a Provincial agency, and is responsible for the ACFA Act; and
- the Department is responsible for supporting the Minister in the above functions.

Further, pursuant to APAGA the Minister must:

- participate in setting ACFA's long-term objectives, and short-term targets, if any;
- advise ACFA of applicable government policies; and
- monitor whether ACFA is acting within its mandate and achieving its long-term objectives, and short-term targets, if any.

4.5 Accountability:

ACFA and its Directors are accountable to the shareholders of ACFA. Having regard to ACFA's status as a Provincial agency and as an agent of the Crown, ACFA is also accountable to the Government of Alberta and the Minister (separate and apart from the accountability obligations to the Government of Alberta in the Government of Alberta's role as a shareholder of ACFA).

The President is accountable to the Directors. The President is also accountable to the Assistant Deputy Minister with respect to administrative personnel matters that fall under the *Public Service Act*.

5. REPORTING AND COMMUNICATIONS

5.1 Reporting and Accounting:

ACFA is part of the consolidated reporting entity for the purposes of the financial statements of the Government of Alberta, and pursuant to the *Fiscal Planning and Transparency Act* must

provide an annual report in a form and containing information as directed by the Department on behalf of the Minister.

The Minister may request from ACFA additional reporting, which may be either specific or general, and either periodic or one-time.

ACFA is not a “government business enterprise” for accounting purposes.

5.2 Shareholder Meetings:

ACFA holds an annual general meeting of its shareholders every year for the purpose of:

- reporting on its activities for the prior fiscal year;
- reporting and receiving the audited financial statements of ACFA for the prior fiscal year; and
- electing Directors for class B through E shareholders only.

The Directors and the shareholders may also call or requisition, respectively, a special meeting of the shareholders in accordance with the requirements set out in ACFA’s bylaws.

5.3 Communication and Consultation Between ACFA and the Department:

ACFA and the Department jointly believe that regular and open communications between them are foundational to an effective working relationship. To that end, multiple avenues of communication are employed, including the following:

- between the Chair and the Minister or the Deputy Minister; and
- between various officials of ACFA, including the President of ACFA, and the Department.

In particular, it is expected that there will be ongoing communication, collaboration and consultation with each other, including regular meetings between the Department and ACFA management to obtain briefings or information on:

- ACFA’s activities, results of operations, compliance with regulations, and emerging strategic decisions directly impacting the mandate of ACFA; and
- initiatives planned to amend any legislation, regulation, guidelines or bylaws which may affect the operations of ACFA.

In addition, ACFA will provide timely notice to the Department of any of the following:

- any lawsuits (and any other judicial or quasi-judicial proceedings) brought or threatened against ACFA, or any director or officer of ACFA in such capacities;

- any lawsuits threatened or commenced against the Government of Alberta in respect of financing activities carried out by ACFA; and
- any lawsuits (and any other judicial or quasi-judicial proceedings) proposed to be initiated by ACFA in the name of the Government of Alberta.

ACFA Board have delegated to the Chair and the President of ACFA responsibility for most communications between ACFA, its shareholders, and the public.

5.4 Publication of this MRD:

ACFA will ensure that the full text of this MRD is easily findable on ACFA's website.

ALBERTA CAPITAL FINANCE AUTHORITY

date: September 12, 2018

per: original signed by
W. Frank Hawkins, Chair

PRESIDENT OF TREASURY BOARD, MINISTER OF FINANCE

date: August 28, 2018

per: original signed by
Joe Ceci