



# DISTRICT OF WEST KELOWNA

## COUNCIL POLICY MANUAL

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Approval Date: 2009-FEB-02

<b>DEPARTMENT:</b>	<b>FINANCE</b>
<b>SUBJECT:</b>	<b>REVENUE POLICY</b>

### **Policy Statement:**

The revenue policy will provide direction on how Council chooses to fund the expenditures of the Municipality, distribute property taxes among the property classes and use permissive tax exemptions.

### **Purpose:**

To comply with Section 165(3.1) of the *Community Charter*; which requires municipal five-year financial plans to include a more explicit form of revenue and tax policy disclosure. This requires municipalities to include in the five-year financial plan, objectives and policies regarding each of the following:

1. The proportion of total revenue that comes from each of the funding sources described in Section 165(7) of the *Community Charter*;
2. The distribution of property taxes among the property classes; and
3. The use of permissive tax exemptions (such as revitalization tax exemptions).

This policy will identify the objectives and policies of Council regarding each of the revenue items.

### **Policy Procedure:**

#### **Fees and Charges**

1. The District will review fees/charges annually to ensure that they keep pace with changes in the cost-of-living as well as changes in the methods or levels of service delivery.
2. The District will actively pursue alternative revenue sources to help minimize property taxes.
3. The District will consider market rates and charges levied by other public and private organizations for similar services in establishing rates, fees and charges.
4. The District will establish cost recovery policies for fee supported services. The Policies will consider whether the benefits received from the service are public and/or private.
5. The District will establish cost recovery policies for services provided for other levels of government.
6. General Revenues will not be dedicated for specific purposes, unless required by law or generally accepted accounting practices (GAAP).
7. The District will develop and pursue new and creative partnerships with government, community institutions (churches, schools), and community groups as well as private and non-profit organizations to reduce costs and enhance service to the community.

## Debt Financing

8. Debt financing of capital improvements and equipment will only be considered when the following conditions exist:
  - a. when significant cost savings can be obtained by pursuing the capital project prior to raising the required funds;
  - b. when it can be determined that future users will receive a benefit from the improvements;
  - c. when the total cost of the debt does not constitute an unreasonable burden to the taxpayers;
  - d. when there is adequate room in the liability servicing limit to proceed with the borrowing.

## Surplus Funds

9. The *Community Charter* does not allow municipalities to plan an operating deficit (i.e. where expenditures exceed revenues). To ensure this situation does not occur, revenue projections are conservative and authorized expenditures are closely monitored. The combination of conservative revenue projections and controlled expenditures should produce a modest annual operating surplus.

### Use of Surplus Funds

- a. Council will review options and provide direction to staff regarding the allocation of any operating surplus prior to completion of the budget process for the following year.
- b. To ensure the Accumulated Surplus is not excessive, the balance in the accumulated surplus account should not exceed a specific amount or guideline. The guideline is that Accumulated Surplus should not exceed 10% of the net operating budget.
- c. Accumulated Surplus funds above the 10% guideline shall be used to:
  - i. Fund capital expenditures or to increase reserves;
  - ii. Pay off capital debt, including internal borrowings;
  - iii. Stabilize City property tax and utility rate increases;
  - iv. Fund other items as Council deems appropriate.
- d. Staff will facilitate Council's review of the amount of Accumulated Surplus funds available on an annual basis.

## Reserve funds

10. Reserve funds shall be set aside to:
  - a. Provide sources of funds for future capital expenditures;
  - b. Provide a source of funding for areas of expenditure that fluctuate significantly from year to year (equipment replacement, special building maintenance, etc.);
  - c. Protect the District from uncontrollable or unexpected increases in expenditures or unforeseen reductions in revenues, or a combination of the two; and
  - d. Provide for working capital to ensure sufficient cash flow to meet the District's needs throughout the year.

11. The District has the following reserve funds:
  - a. Reserve Funds (Statutory Reserves) which are authorized either by the *Community Charter* or by bylaw; and
  - b. General (Non-statutory) Reserves which are a combination of budgeted allocations such as equipment replacement reserves, or surplus funds such as the transfer of unspent amounts in our snow clearing budget to a reserve to assist with leveling out expenditures in those years when we get a harsh winter.
12. Interest will be allocated annually to all Statutory and Non-Statutory Reserve Funds at the investment portfolio average rate for the year less one-half percentage point. The interest allocation is based on the following formula:
  - i. Interest paid to reserve = (average rate of interest-.005) \* ((balance in reserve at start of year + balance in reserve at end of year)/2)
  - ii. the deducted interest of .005% will be placed into a Rate Stabilization Fund to be used to equalize revenues in years with lower than expected investment revenue.

### **Development Cost Charges**

13. Development cost charges will be used to help fund capital projects deemed to be required in whole or in part due to development in the community. These charges will be set by bylaw and reviewed at a minimum every year to ensure that project estimates remain reasonable and the development costs charges are aligned with the strategic goals of Council.

### **Proportion of Taxes Allocated to Classes**

14. It is Council's goal to ensure that there is a fair and equitable apportionment of taxes to each property class. The apportionment to each class is calculated using the multipliers determined by Council prior to preparing the annual tax rate bylaw. The tax multipliers will be reviewed and set by Council annually.

### **Permissive Tax Exemptions**

15. Permissive tax exemptions will be approved annually by Council. All applications for permissive tax exemptions will be considered in accordance with the Permissive Tax Exemption Policy.

Previous Revision/s: **None**