



# Financial Policy Framework







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# Definitions

## **Accumulated Surplus**

The equity that the City has in the assets after the liabilities owed to other organizations are deducted. In theory, this is the amount that would remain if the City immediately sold its assets and paid its liabilities; the assets and funds that can be used to provide future services or infrastructure.

## **Capital Expenditures**

Expenditures of a non-operating or maintenance nature, greater than \$5,000 such as costs to acquire equipment, land, buildings and costs associated with new infrastructure or improvements to existing infrastructure.

## **Cost Centre**

A function or service within the City that is used to track actual expenses for comparison to budget.

## **Debt Capacity**

The amount of debt available to be used by the City after accounting for existing debt as established under the Community Charter.

## **Debt Servicing**

The amount of money required to make payments on the principal and interest on outstanding debt.

## **Development Cost Charges**

Funds collected from developers to offset some of the infrastructure expenditures required to service new development.

## **Infrastructure**

Facilities and improvements such as, but not limited to: buildings, roads, sidewalks, storm drainage, waterworks, sanitary sewer systems, parks and equipment.

## **Infrastructure Gap**

The difference between the cost of future capital projects and the availability of financial resources to pay for them.

## **Level of Service**

The outputs or objectives the City intends to deliver to the public.

## **Life Cycle Costs**

The total full costs estimated to be incurred in the design, construction, operation, maintenance, and final disposition of a physical asset over its anticipated useful life span.

## **Performance Measures**

Indicators that are used to assess how well a service, program or cost centre is achieving its desired objectives.

## **Reserves**

Money set aside in positive fund balances, specifically designated, that serve the purpose to reduce or eliminate the need for debt, manage cash flows, provide the ability to invest and act as a contingency for unforeseen events.

## **User Fees and Charges**

A source of revenue generated by the activities, works or facilities undertaken or provided by or on behalf of the City, often referred to as "Revenue from Own Sources."

# Introduction



By any measure, the City of Fort St. John is currently in solid financial health:

- Current assets exceed current liabilities
- Long-term debt is low with two-thirds of that debt self-funded through Utility User Fees and Local Area Improvements
- Reserves are in place for emergent events and opportunities
- Prudent financial management has led to balanced budgets
- Grant revenue and other non-taxation revenue has been substantial
- Property taxation is competitive with comparable BC communities

The City is committed to maintaining and improving upon its stable financial position to the benefit of its residents so that future generations can enjoy the same level of financial stability and prosperity as its current citizens.

Annual budgets have been balanced while maintaining tax rates, managing the tax ratio between the various classes of property, and keeping tax revenue stable. The City continues to look for ways to generate additional revenue and control spending.

Even based on our robust financial health, the economic environment keeps changing, and the levels of service, revenue generation and expense constraints keep evolving. The City cannot be sure of the same level of financial support from senior levels of government enjoyed in the present or past.

Now is the time for the City to reflect and to develop guiding financial principles, policies and strategies for each of the financial mechanisms available to it. The City must assure itself and the public that it is using all of its varied financial resources as efficiently and effectively as possible. Financial policies based on Council-approved guiding principles will give the City an improved ability to live within the City's means and determine what it can and cannot afford to do given new present and future realities.

This suite of ten financial policies have been designed and structured to develop principles that guide, support, and respect the direction of the community so that taxpayers can benefit from stable, equitable and affordable property taxation while at the same time providing high-quality services.

## Being a Sustainable Community

The very essence of being a sustainable community is that it allows the City to develop in such a way that it meets the needs of the present without compromising the ability of future generations to meet their own needs.

In the 2018 – 2023 Strategic Plan, Council identified the goal to build and manage public assets and human resources that support the current and future needs of the community. Tactical Plan 3.2.1 specifically identified the need to develop a Financial Policy Framework as a strategy to meet that goal.

To continue to be financially sustainable, the City will diversify its revenues and reduce its reliance on any one source of revenue as much as possible. The City's revenue base includes property taxes, utility fees, development levies, program fees, permits and licence fees, investment income, fines and penalties.

Another critical aspect of financial sustainability is the ability of the City to generate revenues from our own sources. To be financially sustainable, the City must have the autonomy to set revenues and have unrestricted access to those revenues. Own source revenues generated by the City's operations are unrestricted, can be used as required by the organization, and serve to reduce reliance on funding from other levels of governments and agencies.

The general philosophy behind the ten financial policies discussed in this document, with their guiding principles, objectives and strategies, is that they will significantly influence decision-making by the City and contribute to the attainment of the City's Vision to be "...a flourishing community, where nature lives, businesses prosper, families are active and diversity is celebrated", and to its Mission to "facilitate a community that embraces opportunity, diversity and sustainability...through the development of innovative municipal services."

This financial framework will allow the City to be strategic and forward-thinking with its decisions with the knowledge that the financial resources will be in place to enable the City to be flexible and proactive as well as to have funds available for positive or negative emergent events.



# City of Fort St. John Financial Framework



Financial management policy statements for ten key areas that influence the sustainable financing of the City's operations and infrastructure assets were developed. The policies are intended to work together cohesively to guide financial planning and decision-making. By their very nature, they are interlinked. Actions taken following the guiding principles of each policy will affect most, if not all, the other nine policies.

The symbol of gears working together captures the concept of how these policies work together and affect each other. This is an important concept as changes made in one policy have consequences in the others. This document puts all financial policies into one document for ease of administration and to ensure that the relationships between policies are maintained.

This Financial Framework will provide clarity to Council, staff and the community as to how decisions are made concerning the sustainable financing of City services and infrastructure.

The policy areas included are:

- Taxation
- Peace River Agreement
- Utility Fees
- Annual Budget
- User Fees
- Reserves
- Service Agreement and Gaming Revenue
- Debt
- Grants
- Permissive Tax Exemptions

## Guiding Principles

The financial policies contained within this document are consistent with the principles presented below. These overarching principles serve as a basis against which the policies will be tested, reviewed and updated in the future.

### PLANNED

The City will take a long-term view concerning the financial management of the community.

### ADAPTABLE

The City is able to manoeuvre, innovate and respond as required to changing circumstances.

### PROTECTIVE

Decisions will take measured risks while ensuring the protection of City assets and service levels.

### EQUITABLE

Everybody contributes towards the services they receive.

# Measuring Financial Sustainability

Analysis and interpretation of results to determine if these ten policies are meeting our financial sustainability goals will be provided annually to Council and the general public.

Measured data will include:

1. Changes in the tax rate, tax revenue competitiveness
2. Changes in assessment values - the degree to which infrastructure is supporting and encouraging City growth
3. Debt levels and capacity to use debt - the available debt capacity to take advantage of capital opportunities
4. Changes in service agreement and gaming revenues and user fees - diversification of revenues and benefits to users
5. Infrastructure gap and the managing thereof - the ability to manage any gap in funding
6. Identification of lifecycle costs - full knowledge of implications of infrastructure decisions
7. Balanced Budgets - identification of the coordination between tax rates, tax revenue, service agreement and gaming revenues, levels of service and cost constraints
8. Fiscal year operating surpluses - the relative accuracy of our budgeting and degree of diligence throughout the year to control costs and generate revenue
9. Prudent, sufficient and active reserves - the capacity to anticipate unexpected events; plan for future needs and manage cash flow

## Key Values

### Transparency

– We are committed to share information with citizens

### Responsiveness

– We are committed to listen to our citizens and work together

### Innovation

– We are committed to lead

### Integrity

– We are committed to high ethical and professional standards

The City of Fort St. John's Key Values support the City's goal to build and manage assets that support the current and future needs of the community by ensuring we are using all of our financial resources in the most efficient and effective way possible.

The guiding principles and the strategies in the ten policies discussed in this document combined with our Asset Management Policy will improve the accuracy, durability, and credibility of our budget projections. They provide support and justification for any required changes to taxation, user fees, and funding necessary for operating programs and capital projects.

# Implementation Plan

The over-arching goals within the Financial Policy Framework are to keep City tax rates competitive, consistent, and stable while reducing our reliance on grants and non-taxation revenue (service agreements, gaming revenue) that have historically been used to offset operating expenses. Upon approval, some strategies can be implemented immediately while others will need to be gradually introduced. These strategies need to be carefully implemented to avoid any unintended consequences and adverse effects.

## **Budget**

Budgets will be established by referencing and analyzing the current year forecast against:

- the 3-year trend
- future year budget, and
- future year budget versus current year budget.

Variance explanations will be disclosed to ensure Council has a full understanding as to how revenues are to be generated and costs contained.

## **Taxation**

Where operating and long-term capital budgets necessitate an increase in tax revenues, the adjustments will be made over a designated period of years, as determined by Council, in a measured, gradual way to avoid significant changes in any one year. Mitigation of tax revenue increases is possible with the use of Contingency Stabilization Reserves until such time that additional revenue or cost savings can be found. Analysis of the City's tax rate, revenue and ratio competitiveness will be done every four years.

## **Service Agreement and Gaming Revenue**

The policies as presented establish Council's goal to reduce its operating (day to day) reliance on funds from sources that it cannot control. To achieve this, Council will need to ensure that increases in non-taxation revenue and reduction of discretionary expenses are done in concert and over time.

## **Reserves**

The Contingency Stabilization Reserves will be consolidated and reduced to a level that represents 5% of annual revenues. This is in line with an analysis that was conducted to identify a combination of probability and impact of unexpected events occurring. A contingency reserve exceeding the 5% will be transferred into Capital Reserves.



A black and tan dog, possibly a Rottweiler, is running on a grassy field. The dog is wearing a purple collar with a gold tag. The background is a blurred green lawn and a brown mulch area. Overlaid on the bottom half of the image are several white gear icons of various sizes, some overlapping each other.

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## Taxation

Property tax is the most visible of all taxes, and it is paid directly by taxpayers in periodic lump-sum payments or as part of their mortgage payments.



Taxpayers are not only aware of what they pay in property taxes, but they are also mindful of the services provided by property tax revenues. The City is committed to be transparent and accountable and to provide an easy to understand justification for any adjustments to tax rates, tax ratios and tax revenue.

Even during changing economic times, property tax revenues generally remain stable. Assessment values may change, but the level of service expected by the general public remains constant, and to offset expenditures tax rates will be adjusted to balance the budget. The stability of and the reliance upon the property tax is as important to the City as it is for the individual taxpayer.

Tax revenue is critical to the sustainability of our community. The establishment of guiding principles and tax policy will ensure better planning, decision making and improved engagement and communication with our citizens.

Residents, businesses and industries are increasingly mobile, so the City must remain competitive within the Peace River region and across the province of BC.

### Objective

To ensure tax revenues are sufficient to meet the community's operational, capital and strategic needs, while meeting our legislative requirement to balance the budget. That all taxpayers contribute through their taxes for the services and amenities in our community, and to moderate or smooth out tax rate increases to avoid spikes in rates or revenues to be paid by property owners.

## Policy Statements

1. The setting of annual tax revenue requirements will be informed by the full cost of delivering the desired levels of service (including any additional services), inflation, lifecycle costs, and the long-term priorities of the community.
2. Adjustments to annual property taxes will be stable and predictable to enable accurate long-term financial planning and to avoid the need for any significant one-time adjustments.
3. Tax rates will be adjusted annually such that the total revenue requirements of the community are satisfied and that the proportion of tax revenues received from the various property classes remains stable as defined by policy.
4. Everyone contributes at some level to the services they use and from which they benefit.

## Strategies

### 1. Property taxes will remain as stable as possible over time

Annual budget planning will reflect the long-term vision of the community and take into consideration the current and future taxation impacts of that vision. Any change in property owners' tax bills will be moderate and controlled. Taxpayers will be protected from significant increases in their taxes by the City's Reserve Policy. If the City's tax revenue requirements are projected to increase significantly, funds from the Contingency Stabilization Reserve may be transferred to General Revenue to mitigate those increases.

### 2. Property tax information will be transparent and easy to understand

The budgeting and taxation process will be clear, concise and transparent. Information on City services, taxation, budgeting and financial results will be accessible and presented in plain language and the public will be invited and encouraged to engage with the City throughout the annual budget process.

### 3. Property taxes will be measured against similar communities

The City of Fort St. John is a regional hub with significant industrial activity outside of its boundary. City services and amenities are a significant incentive for site selection and relocation.

A competitive economic development program includes real-estate, housing, services and amenities and taxation. Therefore a strong stable tax regime contributes to the attraction and retention of investment and the associated skilled workforce.

A comprehensive comparative analysis of municipal taxes will be conducted and presented to Council for discussion once during each Council term.

### 4. Property taxes will reflect the infrastructure, services and service levels that the community believes are important

The City of Fort St. John is committed to citizen engagement and long-term planning. The City will remain aware of community investment priorities through the Official Community Plan, Master Plans, project planning, and continued community engagement. We will ensure that the strategies and plans will take an innovative approach to attract industry and commercial businesses and meet the current and future needs of the community.



# Annual Budget

The annual budget is Council's major yearly policy document.



The Annual Budget encompasses the City's entire financial framework: taxation, service agreement and gaming revenues, utility fees, user fees, grants, Peace River Agreement, reserves, debt servicing, permissive tax exemptions and asset management.

Budget development must be a robust and continuous-improvement process that learns from experience, challenges the status quo, and recognizes what Council wants to accomplish in the years to come. It also must provide the community with financial sustainability and growth well into the future.

## Objective

To ensure that City operations are adequately funded and that their full lifecycle cost is understood. Services, programs, and infrastructure must be sustainable, deliver value to citizens, and will be congruent with Council's strategies, priorities, and principles.

## Policy Statements

1. The full financial cost of new assets and services, including staffing requirements, will be understood by Council and staff and will inform the annual budget and long-term financial planning.
2. Recurring expenses shall be included within the annual budget and funded through operating revenues.
3. All services, including new services, must be aligned with the City's priorities and reviewed regularly.

## Strategies

### 1. Regularly review all services, including new services, for alignment with the City's priorities

The City will regularly review its services and related operating costs to ensure that they align with the City's priorities and provide value to the community.

### 2. The full lifecycle cost of new assets and services, including staffing requirements, will be understood by Council and staff

A review of the prior year's external financial statements will be completed annually to provide an analysis of the prior year's operating surplus or deficit to improve the budget development and management processes.

The principle of Full Lifecycle Costing will ensure that service levels and revenues remain in balance and that staffing requirements to provide organizational support such as finance, human resources, information technology and communications are addressed.

### 3. Annual review of trends and forecast

A full analysis of current and prior year trends combined with future revenue generation and cost estimates to provide reasonable and probable financial estimates. Combined with the strategy of performing regular reviews of services and costs, we will ensure efficient and sufficient operating budgets.

### 4. The operating budget is transparent and easily understood

The budget will be prepared in such a manner so that the public understands the costs of operation, sources of revenue and the opportunities, challenges, and constraints associated with the budget. This includes the development of a budget calendar, budget guidelines and instructions, a mechanism for coordinating budget preparation and Council review, and opportunities for public input; all supported by a communications plan.

### 5. To establish staff levels through a policy approach articulated through a funding formula

To create a base level from which a revised staffing formula can be applied, an assumption is made that the current level of staffing is reasonable as of January 1, 2018, along with a tangible capital asset (TCA) level as of December 31, 2017. Future staffing levels will be set in the fall of each year based on the total tangible capital assets balance as of December 31 of the prior year and the approved staffing level as of January 1 of the current year.

Formula for Annual Staffing Level Increases

$$A = [(B-C-D) * E] + [NC * F]$$

*A = Annual Staff Level Increase*

*B = Total Staff*

*C = Staff funded through Utility Fees*

*D = Pool Staff funded through the PRRD*

*E = % of annual assessment growth less Heavy Industrial assessment*

*NC = Dollars of new capital*

*F = New Capital Factor for additional FTE.*

With each \$10 million of new assets, 1 Full-time Equivalent (FTE) staff member will be added.

*54.44 FTE is the number of staff who maintain City facilities as at January 1, 2018, for roadways, trails, parks and infrastructure*

*\$539,615,093 is the value of the City's tangible capital assets as at December 31, 2017, as identified in the 2018 External Financial Statements*

*The New Capital Factor (NCF) will be reviewed and calculated annually, the NCF is calculated as:*

*(Staff / tangible capital assets = F)*

$$54.44 \text{ FTE} / \$539,615,093 = 0.0000001008867$$

### 6. Establishing staff levels outside of the funding formula

Some new assets require a new projection of Full-Time Equivalent (FTE) staff positions outside of the staffing formula due to the nature of the additional asset (for example a new multi-recreational facility). FTE estimates will be presented to Council on a case-by-case basis for approval.



## Service Agreement and Gaming Revenue

Service agreement and gaming revenue have either a defined-term life or its revenue may vary from year to year, and is generally outside of the control of the City.



The use of these revenues to offset on-going operating expenses expose the City to a degree of risk due to limited durations and unpredictable revenues.

However, the benefits of receiving these revenues may outweigh the risks by adding value to existing programs, services, or projects that directly benefit the public without impacting taxation.

### Objective

To reduce the City's reliance on service agreement and gaming revenue that the City cannot control. These revenues will be used to add value to the City's strategic initiatives and long-term plans while ensuring the sustainability of the City's operating budget.

### Policy Statements

1. The City will minimize its reliance on service agreement and gaming revenue for operating purposes.
2. Gaming revenue in excess of \$750 thousand will be directed to a Community Foundation.
3. Revenues that are received only once may be applied to non-recurring expenditures such as a discretionary project or debt retirement, or applied to a specifically designated reserve.

## Strategies

### 1. Gaming revenue will be utilized to support the quality of life within the community

The City of Fort St. John receives ten percent of the annual net gambling revenue from casinos within the City. Annual gaming revenues received in excess of \$750,000 will be redirected to the Fort St. John Community Foundation to support local non-profits. This allocation will be reviewed periodically.

### 2. Revenue from term agreements will be allocated to future capital needs

Revenue received from term agreements negotiated between the City and other parties will be placed into the capital reserve.

### 3. One-time non-recurring revenue for debt reduction or social benefit

Any one-time revenue received by the City may be directed to a non-recurring expenditure such as a project, capital initiative or the retirement of debt.

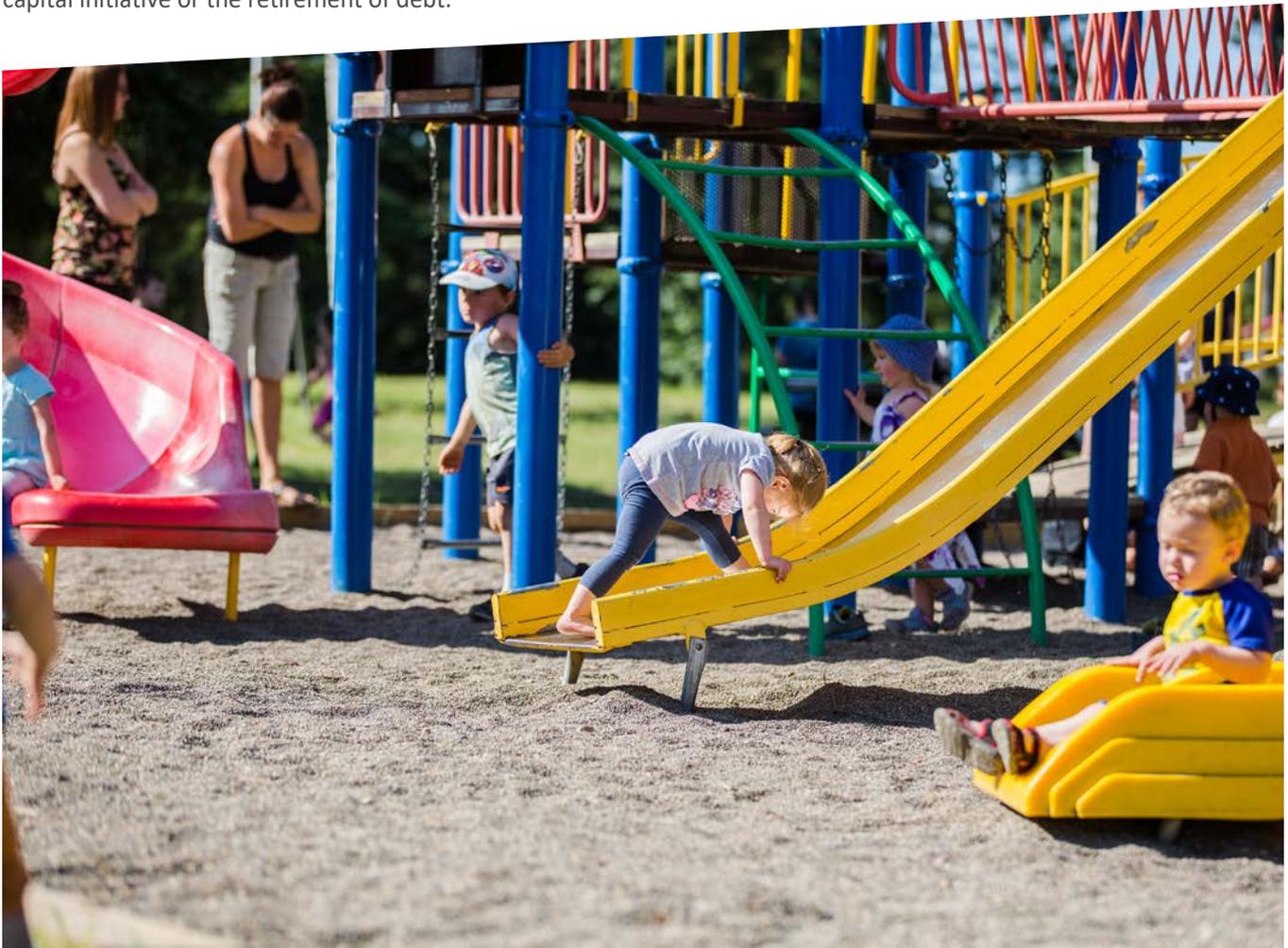
### 4. Community Measures Agreement revenues will be allocated to future capital requirements and to the Community Foundation

Prior to the completion of the Site C Hydroelectric Dam, annual payments of \$1 million plus inflation shall be set aside for construction of a City facility.

Once the Site C project is complete, the use of revenue from the Regional Legacy Benefits agreement will be directed towards the Community Foundation and reviewed every 5 years.

### 5. The North Peace Leisure Pool service agreement revenues will continue to offset pool operation costs

As the North Peace Leisure Pool is owned by the Peace River Regional District and operated by the City of Fort St. John, service agreement revenues will continue to offset pool operation costs.





## Grants

A grant is a transfer of money to the City from another entity (generally a higher level of government).



Grants are a useful tool for the City, and when used strategically they can add value to projects and offset costs to taxpayers. Most grants also require the City to cover a portion of the project costs, which highlights the need for grants to be primarily used for projects that are a local priority.

The City has been successful in negotiating and applying for grants, which has contributed to its overall financial health. Continued success is dependent upon its asset management processes and the selection of the most critical operating and capital programs.

### Objective

To actively pursue grants to offset capital costs associated with priority projects while ensuring that operating costs are taken into consideration. The City intends to offset operating costs with municipal tax and own-source revenues.

### Policy Statements

1. Applications for grants will be focused on large one-time projects that have been previously identified in the City's capital plans.
2. Priority projects will be advanced to an "application-ready" status to ensure emergent grant opportunities can be fully leveraged.
3. Grants will not be considered for the purposes of long-term financial planning.
4. The City may choose to adjust the sequencing of planned capital projects to align with anticipated grant funding opportunities.

## Strategies

### 1. Capital projects will align with the availability of grant revenue

Capital projects will be identified through master plans and asset management plans and wherever possible, timed with the availability of grant revenue.

Grants will be pursued for projects that are a priority for the community.

### 2. Grants may be targeted towards specific community programs of a limited duration

Grants may be utilized for specific community programs with a limited time duration.

### 3. Grant funds will be utilized to extend the scope of the project

Where possible, excess funds realized from the award of a grant will be utilized to extend the scope of the project.

In situations where the City's budget for a project did not include grant funding and where the City is awarded a grant for the project, the funds will be directed to expand the scope of the project or expedite the timelines multi-year projects. If neither of these options is possible or if there are excess funds available, they will be placed in a capital reserve for future projects.

### 4. Perpetual grants will be utilized as directed by the provincial and federal governments

- Traffic Fine Revenue Sharing (for safety and policing priority programs)
- Transit/HandyDart (for transportation programs)

### 5. The City will use Northern Development Initiative Trust (NDIT) grants wherever possible

Each year a review of capital projects will be undertaken to determine which projects are likely to fall within NDIT guidelines and the City will apply to NDIT accordingly.





## Debt

Debt (borrowing) is a financial tool that the City uses to fund capital expenditures.



Debt is an equitable way of financing projects as it distributes the cost of capital projects between former, current and future residents. The *Community Charter - Section 174* and *B.C. Reg 254/2004 - Part 1 Liability Limit* places a 25% limit on the amount of taxation and fee revenue that the City can commit to service debt and other long-term obligations.

In addition, any borrowing above \$5 million requires public assent by the alternative approval process or by referendum. In practice, the City has maintained low debt levels, and debt servicing costs are largely self-funded through Local Area Service (LAS) and utilities fees and charges. This excess debt capacity provides the City with the opportunity to take advantage of capital projects, which will enhance the living standards for its citizens and service an expanding population.

### Objective

To maintain debt and debt servicing requirements prudently, minimizing the tax rate impact and utilizing debt to improve the quality of life of our citizens.

Flexible financial instruments that combine the use of debt with cash reserves equitably distribute the responsibility for financing quality-of-life projects to all users.

### Policy Statements

1. Debt may be used for projects with a value of \$5 million or greater.
2. Borrowing capacity will be preserved to leverage emergent opportunities or emergency situations.
3. Debt will be budgeted for and funded from on-going operating revenues.
4. Debt will be considered to add value by leveraging available grant funding.
5. Debt can be serviced by corresponding lease payments, user fees or LAS bylaws.

## Strategies

### 1. Use of long-term debt focus

The use of long-term debt will be focused on projects with a value of \$5 million or greater and for local area service projects, water and sewer projects, and building facility projects.

### 2. Debt to leverage grant funding

The use of debt will be considered to leverage available grant funding for priority projects and where reserve funds are insufficient.

### 3. Debt will be used to finance quality-of-life projects (for example recreational facilities), as directed and decided by the public through the public assent process

Debt and reserves can be used in combination to finance capital projects.

### 4. On the tenth year of any outstanding debt, Council will consider paying down or retiring the debt

The Municipal Finance Authority allows for a one-time payment on debt, in the tenth year of its term.

### 5. The servicing of debt shall be budgeted for and funded from taxation and fee revenues

- Debt payments for Local Area Service projects are to be paid by property owners directly benefiting from the improvements.
- Water and sewer debt servicing payments are to be fully funded from utility fees.
- Debt for discretionary, quality of life facility construction will be serviced from taxation revenues.
- Where possible, debt payments for non-discretionary facility construction will be offset by lease payments from the tenants.





## Reserves

Reserves allow the City to be prepared unexpected or unroutine events and provide financial stability and flexibility.



In common with other municipalities, the City faces emerging opportunities, emergency events, and one-time large capital expenses that, if not adequately planned for, may place a financial hardship on its residents.

Reserves provide a financial mechanism that allows the City to minimize the use of debt by saving money to finance future infrastructure and equipment, smooth out fluctuations in operating expenses, manage cash flow, leverage investment income, and to plan for unforeseen events.

The City of Fort St. John recognizes the importance of establishing funds to ensure that there are adequate resources to meet its future needs.

### Objective

To ensure that the City maintains a strong financial position which will safeguard taxpayers and provide guidelines for the annual budget to ensure that sufficient funds are maintained:

- For contingencies, unanticipated expenditures or revenue shortfalls
- To ensure adequate funding for future capital projects
- To set up statutory reserves as required by legislative requirements
- For special designated projects

## Purpose

Some factors for maintaining sufficient funds include the ability to:

- Prepare for changes in the economy that affect City operations
- Moderate escalating operating costs
- Manage cash flow
- Provide for periodic events such as by-elections, heavy snowfall seasons and employee retirement or termination settlements
- Moderate significant assessment adjustments or potential liability settlements
- Support the City capital program
- Respond quickly and flexibly to costs associated with emergency or disaster events
- To meet Provincial and Federal Statutory legislated requirements
- Provide funding to support special designated projects

## Policy Statements

1. Any annual surplus will be allocated first to the Contingency Stabilization reserve and then to capital reserves.
2. Capital reserve requirements will be informed by the City of Fort St. John Master Plans and Asset Management Plans.
3. Special Designated reserves are for projects assigned by Council.

## Strategies

1. **Maintain four categories of reserve funds. A reserve fund is a savings account or other highly liquid asset that is set aside to meet future costs of financial obligations.**

## Contingency Stabilization Reserve

The Government Finance Officers Association (GFOA) recommends that all municipalities establish a Contingency Stabilization Reserve, which provides a financial cushion to ensure that local government has resources and flexibility to respond to unforeseen financial needs.

The GFOA and this policy recommend that Contingency Stabilization Reserve be maintained at 5% of the City's annual revenues (excluding those collected on behalf of other agencies). Contingency Stabilization Reserve balances are funded through current year surpluses and any funds above the 5% cap will be transferred to the capital reserves.

The Contingency Stabilization reserve is the consolidation of a group of reserves that includes tax stabilization, contingency, emergency, snow removal, assessment appeals, elections, human resources, RCMP and insurance deductibles. These resources ensure that the City can respond to significant unplanned but probable events without creating unexpected changes in the tax rate.

## Capital Reserves

Capital reserves are for future capital projects including the rehabilitation of existing infrastructure and the construction of new infrastructure following the City's Master Plans and Asset Management Plan. Funds for this reserve are generated through current year surpluses, utility rates and capital grants. Capital reserves will be separated into two groups:

- Capital Reserve – Peace River Agreement for renewal and replacement capital projects (asset management)
- Capital Reserve – Fort St. John, for new capital assets

## Statutory Reserves

Statutory reserves are established by Council but dictated by provincial legislation. Statutory reserves include, but are not limited to, development cost charges, parking, parks, sale of City-owned land and perpetual cemetery care funds.

## Special Designated Reserves

These operating reserves are set up at the sole discretion of Council and can be used for specific initiatives such as energy literacy, sustainability, solid waste, or the Pomeroy Sport Centre.



## Permissive Tax Exemptions

Division 7 of the *Community Charter* permits Council to exempt property used for certain purposes from taxation.



Permissive tax exemptions differ from statutory tax exemptions, which are automatic and provided by provincial legislation. When granting a permissive tax exemption, the City has the flexibility to tailor exemptions to meet particular circumstances. This includes the option of providing exemptions to all or part of an eligible property. Since permissive tax exemptions result in the remainder of the taxpayers having to absorb those taxes not paid by others, care must be taken to ensure all exemptions are well aligned with the objectives and values of the City

### Objective

To balance the social benefits that not-for-profit organizations add to the quality of life in the community with the acknowledgment that all property owners must contribute towards services that the City provides. The City will not assist recipients with their obligation to other levels of government such as revenues collected for the Province of BC - School Tax, Hospital, Peace River Regional District, Municipal Finance Authority, BC Assessment Authority and Transit.

## Policy Statements

1. Permissive tax exemptions may be considered for organizations that provide broad community benefits.
2. Exemptions granted to eligible organizations are limited to the municipal portion of the property tax.
3. Permissive tax exemptions will be limited to 75% of the municipal portion of the taxation to ensure that essential services are supported.
4. To be eligible for a permissive tax exemption the organization must own the property and contribute to the common good and must benefit the City in one or more of the following ways for the property to be considered:
  - Provide programs or facilities used by youth, seniors or other special needs groups
  - Provide facilities for public use
  - Provide programs to the public
  - Provide supportive housing for people with special needs
  - Preserve heritage important to the community character
  - Preserve an environmentally and ecologically significant area of the City
  - Offer cultural or educational programs to the public which promote community spirit, cohesiveness or tolerance
  - Offer services to the public with a formal partnership with the City
5. Vacant and underdeveloped parcels owned but not actively used by a non-profit organization will not be considered for a permissive tax exemption. Parcels that are being used as parking lots by non-profit organizations but not developed to City specifications will not be considered.
6. The City will provide exemptions only on property owned by the not-for-profit organization.

## Strategies

1. **Changes to the Permissive Tax Exemption policy will be phased to allow organizations and groups to be prepared**
  - Permissive tax exemptions will be granted through the Grant-in-Aid process beginning for the 2021 Budget
  - Commencing January 1, 2021, the City will cease to exempt 50% of the non-municipal portion of recipient exemption
  - Commencing on January 1, 2022, the City will cease to exempt 100% of the non-municipal portion of recipient exemption
  - Commencing January 1, 2023, all recipients will have five years to adjust to the 75% limit
  - Each year recipients will receive 5% less in permissive tax exemptions until they are at the 75% exemption level of municipal taxes; new entries will be exempted at the same level as current recipients
  - Permissive Tax Exemption requests will be directed to the Community Foundation once established



## Peace River Agreement

Peace River Agreement (PRA) revenue makes up approximately one-third of the City's non-tax revenue and finances almost 75% of annual capital expenditures.



The PRA is in the form of a Memorandum of Understanding (MOU) with the Province of British Columbia. The agreement includes annual reporting requirements for review and approval by the Ministry of Municipal Affairs.

An asset management program will support the prioritization of capital projects for construction and asset replacement. Allocations from the grant revenue will be reviewed and adjusted to reflect changes in priorities.

### Objective

To determine the use and allocation of those funds and to ensure that Provincial reporting requirements are met.

Peace River Agreement funds will be used to:

- Support projects and initiatives for City-owned assets
- Support projects and initiatives of municipal responsibility
- Build a community that acts as a regional resource center for industry and workers
- Fund infrastructure growth that is not otherwise funded from development
- Work in collaboration with other local governments and associations to advocate for responsible resource development

## Policy Statements

1. Revenues received through the PRA Agreement will be focused on the rehabilitation and replacement of the City's infrastructure, facilities and equipment as informed by the City's Asset Management Plan.
2. Use of PRA funds are limited to capital projects, special projects and associated expenses
3. The City may direct a portion of PRA revenues to the capital reserve fund for the future financing of identified projects.
4. Revenues may be used for one time or special projects, infrastructure planning and master plans, or start-up costs associated with new services or facilities.

## Strategies

### 1. Peace River Agreement fund allocation

C1 - 45%

Transportation, roads, sidewalks, streetlights

C2 - 25%

Facilities, building, parks

C3 - 15%

Equipment, vehicles, machinery, information technology

C4 - 0%

Water and sewer

C5 - 20%

Other capital, one-time projects, debt servicing





## User Fees and Charges

User fees and charges are collected for swimming programs, ice rentals, permits, licenses, enforcement fines, athletic fields, cemeteries.



When it comes to establishing user fees, Council will primarily use a “benefits-based approach,” which balances the benefits received by the individual with the benefits received by the community as a whole. Additionally, market influences and other practical information will be considered.

Fees and charges must be philosophically sound, easy to defend, practically-based, and easy to implement. The fees must not prevent access to the programs to the community at large. Also, it is essential to provide the public with information on the extent to which community programs are subsidized.

### Objective

To clearly define how user fees are established and implemented, and to ensure that people who benefit from services contribute to them.

### Policy Statements

1. Set user fees in a transparent manner
2. Ensure the cost of service delivery is well understood before setting the user fees
3. Establish user fees to ensure optimal service delivery and government efficiency
4. Engage the general public and seek their input on the user fees
5. Ensure that those who benefit from a good or service will contribute to a portion of the costs
6. Adjustments to annual fees will be stable and predictable

## Strategies

### 1. Transparent reporting and decision making

We will identify the cost of providing services, the value recovered through user fees, the private and public benefit, the type of user, and the category of use.

Transparent reporting to Council and to the public to enable better-informed decision making.

Commit to engage with the public by applying International Association for Public Participation (IAP2) principles and strategies.

The public will be informed well in advance of changes to fees and charges to permit advance planning by the user group.

### 2. Consistently apply a benefits-based approach.

The benefits-based approach should be used across all user fees and charges to ensure equitable rate structures.

### 3. The revenue collected from the fees or charges must always be greater than the costs of collecting the revenue.

If the cost of collecting the fees is more than the fees, it should not be collected.





## Utility Fees

Utility fees are a tool that the City uses to generate the revenues required to cover the cost of providing water, sewer and solid waste services.



Utility fees follow a user-pay philosophy, where the actual cost of providing the service is covered by user fees.

Water, sewer and solid waste services are user funded. Rates are managed to ensure that adequate funds are raised to cover current and future needs.

### Objective

To establish a costing framework for sustainable service delivery that focuses on infrastructure renewal, growth and customer service. Pricing the consumption of the service must generate sufficient revenue to cover the full lifecycle costs of existing and future assets, providing for future expansion and asset replacement.

### Policy Statements

1. The setting of annual utility revenue requirements will be informed by the full lifecycle cost of delivering the desired levels of service (including any additional services), inflation, lifecycle costs, and the long-term priorities of the community.
2. Adjustments to annual utility fees will be stable and predictable. Everyone contributes to the services they use and benefit from.

### Strategies

1. **Every property owner pays for the utilities they utilize (water and sewer services)**

Ensure equitable service, all properties pay for their actual usage.

2. **To price the consumption of the utility such that it encourages residents and businesses to conserve their usage**

Set utilities rates to encourage property owners to conserve their usage.

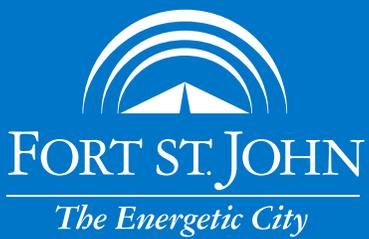
3. **To build into the price structure asset renewal and expansion costs**

Ensure utilities fees are able to fund replacement and expansion of the system.

4. **Ensure the full cost of service delivery is well understood by the consumer on the monthly invoices**

Provide clear and understandable monthly bills to residents and businesses.





City of Fort St. John  
10631 100 Street  
Fort St. John, BC V1J 3Z5