



Governance and Priorities Committee Report For the Meeting of September 17, 2015

To: Governance and Priorities Committee **Date:** September 4, 2015
From: Susanne Thompson, Director of Finance
Subject: Proposed Amendments to the Financial Sustainability Policy

RECOMMENDATION

That Council amend the Financial Sustainability Policy as follows:

1. Growth in Property Tax Base - replace policy 1.1 as follows:
 - a. To balance infrastructure upgrade needs with ongoing operating funding requirements, the first \$500,000 of assessment growth (non-market change) property tax revenue will be transferred to infrastructure reserves and the remaining balance allocated as determined by Council.
2. Alternative Revenues and External Funding – add the following to policy 5.1:
 - a. Grants should be sought for known infrastructure needs or identified priorities in the City's Strategic Plan even if they are not included in the financial plan due to limited funding or pending Council decision.
3. Infrastructure Maintenance and Replacement – replace policy 6.2 as follows:
 - a. Each year, Council will consider a property tax increase dedicated to increasing capital infrastructure investment.
4. Self-financed Programs
 - a. In the introductory paragraph, add a reference to the Stormwater Utility and remove the reference to the Victoria Conference Centre.
5. Debt Management – amend policy 8.1 as follows:
 - a. Every attempt should be made to keep the debt servicing charges at the current budget level of 7% of the property tax levy by adding new debt only in the years when other debt issues are retired. This will minimize the impact on property taxes as a result of new debt.AND add policy 8.3 as follows:
 - b. As an alternative to external borrowing, funds in the City's Debt Reduction Reserve can be borrowed with a maximum repayment term of 15 years at an interest rate equal to the lost investment interest
6. Fees and Charges – add the following to policy 9.0:
 - a. Fee bylaws should, when appropriate, include an annual increase equivalent to the Consumer Price Index for Victoria.

EXECUTIVE SUMMARY

The guiding document for budget development, the City's Financial Sustainability Policy's primary objective is to outline principles that guide, support and respect the direction of the community so that taxpayers can look forward to stable, equitable and affordable property taxation.

As directed by Council, a review to ensure the policy is still relevant has been completed and this report outlines the recommended amendments to the policy.

The specific policies reviewed included growth in property tax base; alternative revenues and external funding; infrastructure maintenance and replacement; debt management; and fees and charges. Also, one house-keeping item update is recommended regarding the policy on self-financed programs.

Best practice research across BC and Canada found that not all municipalities have formal policies in place; however all have practices that are tailored to each municipality's particular circumstance.

The recommendations in this report take into account what has worked in other municipalities as well as the specific needs for Victoria.

PURPOSE

The purpose of this report is to outline proposed amendments to the Financial Sustainability Policy for Council's consideration.

BACKGROUND

The Financial Sustainability Policy (attached as Appendix A) contains 14 sub-policies addressing items including growth in the property tax base, property tax increases and infrastructure funding.

On January 22, 2015 Council directed staff to initiate a review of the following:

Policy 1 – Growth in Property Tax Base:

This policy guides how new property tax revenue is used. The current policy is to transfer this revenue to infrastructure reserves.

Policy 5.1 – Alternative Revenues and External Funding

The current policy encourages grant applications that are in line with the Five-year Financial Plan and 20-year Capital Plan.

Policy 6 – Infrastructure Maintenance and Replacement:

The 2015-2034 Capital Plan includes increases of 1.25% for 2015 and 1.5% for 2016 to 2018. The current policy outlines an annual property tax increase of 1.5% to increase capital budget funding.

Policy 8 – Debt Management:

This policy addresses debt from external sources. The current policy keeps the debt servicing charges that are funded through property taxes at a fixed amount (\$7.8 million). Having a limit on the debt servicing level ensures that the draw on the annual revenues to service debt is controlled.

Policy 9 – Fees and Charges:

The current policy suggests that all fees and charges be reviewed annually and that inflationary increases be applied each year.

ISSUES & ANALYSIS

In researching best practices, primarily in BC, but also across Canada, it appears that very few municipalities have comprehensive policies in place. However, all have various practices that are tailored to their own community's circumstances. A summary of policies and practices are attached as Appendix B.

1. Growth in Property Tax Base

A growing community not only impacts capital requirements but ongoing operating costs for areas such as parks, roads and fire protection. The current policy only focusses on capital needs by transferring all of new assessment growth property tax revenue into infrastructure reserves.

It would be ideal, if the growth could be easily linked to operating or capital costs. However, in reviewing the available data, the linkage is not a straight-forward exercise. However, in recognition of both known and anticipated operating and capital needs, it is recommended that a portion of new assessment growth property tax revenue, \$500,000, be transferred to reserves until the City has reached sustainable funding levels. Sustainable funding levels will be determined based on infrastructure master plans.

The City has complete master plans for water, stormwater and pavement management. However, master plans for parks, facilities, sewer and streets infrastructure have yet to be completed. Therefore, at this time it is unknown how much additional funding is needed in reserves. It is

recommended that this policy be revisited once that information is available.

It is recommended that the remaining new assessment growth property tax revenue be allocated as determined by Council each year.

2. Alternative Revenues and External Funding

The intent of this policy is to ensure that the City strategically applies for grant funding for the highest priority items and does not let grant opportunities drive the financial plan. In addition, grants that provide 100% funding for projects are rare and as such matching funding is typically required. If that matching funding is not readily available, this can result in funding being reallocated from other priority areas.

However, there are infrastructure needs, such as a new or replacement fire headquarters, that are currently not included in the financial plan due to limited funding or pending Council decisions. It is proposed that the policy be clarified to ensure that grant funding will be sought for these types of infrastructure needs as well.

3. Infrastructure Maintenance and Replacement

The capital plan is informed by master plans and condition assessments of infrastructure. As outlined above, not all infrastructure have master plans and the amount of additional funding needed is at this time unknown. Work is underway to address this information gap and as information becomes available, it will be incorporated into future financial plans.

The City has been increasing infrastructure funding since 1999, more than tripling the annual contribution to the Buildings and Infrastructure Reserve (to over \$5 million) and increasing taxes dedicated for capital infrastructure spending from \$2.5 million to over \$13 million during that same time.

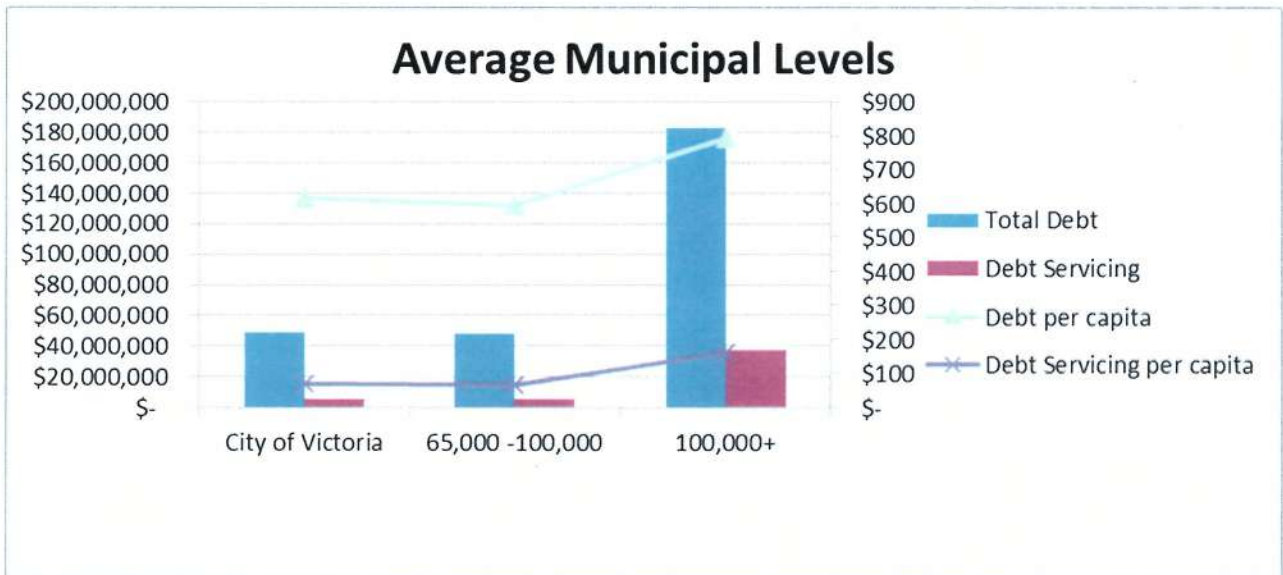
The 2015 capital plan includes increases to the annual funding through a 1.25% tax increase in 2015 and forecasts a 1.5% tax increase each year for 2016-2018. This is a conservative approach in reaching estimated sustainable funding levels.

Until complete information is available, an alternate option for Council's consideration would be to spread the increases over a longer time-period to balance taxpayer affordability while being aware of the risk. Therefore, it is recommended that the policy be amended to reflect that Council will consider a tax increase to increase capital infrastructure investment each year based on proposals for addressing specific needs during the annual financial planning process.

4. Debt Management

Maintaining a limit on debt funding is prudent. However, having the limit expressed in a fixed dollar amount results in the debt level as a percentage of property tax revenue (which is the funding source) decreasing as taxes increase. The intent of the policy is to limit the impact of new debt issues on property taxes. It is recommended that the policy be updated to reflect the maximum debt as a percentage of tax revenue, which is approximately 7%.

Based on 2013 data, which is the most up-to-date information available from the Province, the City's debt levels are comparable to municipalities in the 65,000 – 100,000 population range.



In addition, the policy does not reflect the already established internal borrowing mechanism through the Debt Reduction Reserve. Internal borrowing is less expensive than external borrowing since the internal interest rate could be set at the equivalent rate of the lost investment income. The investment rate of return is typically lower than rates charged by the Municipal Finance Authority that the City is legislated to issue long-term debt through.

It is recommended that internal borrowing be added to the policy outlining a maximum 15 year repayment term, which is the typical term for the City's long-term debt issues to date, at an interest rate equal to the lost interest that would have been earned had the funding remained in the reserve.

5. Fees and Charges

The City has not been proactive in increasing some of its fees annually. Utility user fees and recreation fees are reviewed and updated each year, whereas fees such as DCCs have not been updated since implemented in 2006. It is therefore recommended that the policy be amended to add that fee bylaws should include an annual CPI increase when appropriate. This does not negate the need for regular reviews of fee bylaws, but it will prevent fees from lagging behind significantly.

6. Housekeeping items

Policy 7 addresses self-financed programs and needs to be updated to add the stormwater utility which will be implemented in 2016 and remove the Victoria Conference Centre since it is no longer self-financing.

OPTIONS & IMPACTS

Option 1: Amend the policy as follows (recommended):

The following proposed amendments will provide additional clarification and ensure the policy remains relevant.

Policy 1 – Growth in Property Tax Base:

Replace policy 1.1 as follows:

“To balance infrastructure upgrade needs with ongoing operating funding requirements, the first \$500,000 of assessment growth (non-market change) property tax revenue will be transferred to infrastructure reserves and the remaining balance allocated as determined by Council.”

Policy 5.1 – Alternative Revenues and External Funding

Add the following to policy 5.1:

“Grants should be sought for known infrastructure needs or identified priorities in the City’s Strategic Plan even if they are not included in the financial plan due to limited funding or pending Council decision.”

Policy 6 – Infrastructure Maintenance and Replacement:

Replace policy 6.2 as follows:

Each year, Council will consider a property tax increase dedicated to increasing capital infrastructure investment.

Policy 7 – Self-financed Programs

In the introductory paragraph, add a reference to the Stormwater Utility and remove the reference to the Victoria Conference Centre.

Policy 8 – Debt Management

Amend Policy 8.1 as follows:

“Every attempt should be made to keep the debt servicing charges at the current budget level of 7% of the property tax levy by adding new debt only in the years when other debt issues are retired. This will minimize the impact on property taxes as a result of new debt.”

Add policy 8.3 as follows:

“As an alternative to external borrowing, funds in the City’s Debt Reduction Reserve can be borrowed with a maximum repayment term of 15 years at an interest rate equal to the lost investment interest.”

Policy 9 – Fees and Charges:

Add the following to Policy 9.0:

“Fee bylaws should include, when appropriate, an annual increase equivalent to the Consumer Price Index for Victoria.”

Option 2: Direct staff to make further amendments as determined by Council.

Will provide further financial policy direction.

Option 3: Do not amend the policy at this time.

Will not clarify and update the policies addressed in this report.

2015 – 2018 Strategic Plan

This policy review does not directly impact the strategic plan, but may result in revenue sources that will help fund items identified in the strategic plan.

Impacts to 2015 – 2018 Financial Plan

This policy guides financial planning and will inform the 2016-2019 Financial Plan.

Official Community Plan Consistency Statement

Not applicable.

CONCLUSIONS

The City has a robust policy in place and with the above recommended changes will be updated to ensure it stays relevant. Staff will continue to monitor other municipalities to learn from their policy choices and will bring forward new information for Council's consideration.

Respectfully submitted,


Susanne Thompson
Director of Finance



Report accepted and recommended by the City Manager: _____

Date: September 11, 2015

List of Attachments

Appendix A: Financial Sustainability Policy

Appendix B: Summary of Policies and Practices from Other Municipalities

Appendix C: Summary of City of Victoria Fees and Charges

Department of Finance Policies and Procedures	
Financial Sustainability Policy	
Authorized by: Council	Date of issue: January 20, 2009 Date of amendment: March 24, 2011

Purpose

The purpose of the Financial Sustainability Policy is to guide the City's financial planning to meet financial obligations while providing high quality services.

Primary Objective

The policies shall be designed and structured to develop principles that guide, support and respect the direction of the community so that tax payers can look forward to stable, equitable and affordable property taxation.

Policies

1. Growth in Property Tax Base

The City is surrounded by other municipalities and has no ability to expand. However, re-development is occurring that brings in new property tax revenue. This new revenue must be estimated using the best available data. The City recognizes that any new developments or re-developments increase demand on existing infrastructure and may result in the need to expand that existing infrastructure.

Policy 1.0

Conservative estimates of non-market change assessment revenue will be included in the budget based on information provided by BC Assessment, the Planning and Development Department and the Finance Department.

Policy 1.1

To address infrastructure upgrade demands as a result of new developments or re-developments, any non-market change assessment revenue will be transferred to infrastructure reserves.

2. Property Tax Increase

Rising costs of existing services at existing service levels must be recognized. One-time revenues or non-renewable reserves should not be used to fund on-going operating expenses.

Policy 2.0

Each budget cycle, Council will consider the property tax increase required by first covering the projected cost increase for existing services at existing service levels and then considering other enhancements. (Also see Policy 3.)

3. New Services and Major Enhancements to Existing Services

The property tax increase established under Policy 2 allows the City to provide the same level of service to the existing tax base. It is not designed to provide for new services or major enhancements to existing services.

Policy 3.0

New services or enhancements to existing services will be funded by one or a combination of the following:

- 1. A reduction in the cost of existing services. This may include a reallocation of resources from one area to another.**
- 2. An increase in non-tax revenues.**
- 3. A further increase in property taxes.**

4. Efficiencies, Demand Management and Service Level Changes

As a sound business practice, departments strive to find and explore efficiencies throughout the City's operations. The City does not have the resources to meet all of the demands that are made. Demand must be managed to make sure that expectations reflect our fiscal realities and the need to contain expenditures. Areas where service level changes may be possible must be identified and brought forward for Council's consideration.

Policy 4.0

Business Plans will identify demand management strategies and will include options for service level changes and alternative service delivery models.

5. Alternative Revenues and External Funding

To diversify its revenue base, the City continually looks for new revenue sources that are consistent with the City's Five-year Financial Plan and 20-year Capital Plan.

Policy 5.0

All departments will make every effort to access external funding from non-City sources including other levels of government. All departments will endeavour to develop partnerships, strategic alliances and shared project funding to assist in the reduction of expenditure to the City. Any additional funding can be used to reduce property tax increases, increase service levels and/or provide new services.

Policy 5.1

The City will only apply for grant funding for projects that are already included in the Five-year Financial Plan and the 20-year Capital Plan.

6. Infrastructure Maintenance and Replacement

Much of the City's infrastructure is at or nearing the end of its life. The City is in the process of creating an inventory and completing a condition assessment of its assets. This will allow the City to develop a plan to keep the infrastructure in a proper state of repair to avoid costly failures.

Policy 6.0

The City will establish and maintain an inventory of its infrastructure. A maintenance/replacement plan will be developed utilizing best practices, to keep existing infrastructure in an acceptable condition. This program will be included in the Five-year Financial Plan and the 20-year Capital Plan.

Policy 6.1

The City will depreciate its infrastructure over the useful life of the assets and a sustainable funding strategy will be developed.

Policy 6.2

An annual property tax increase of 1.5% will be levied to increase capital budget funding.

7. Self Financed Programs

The City has several self financed programs: Water Utility, Sewer Utility, Garbage Utility, and the Victoria Conference Centre. The costs for self financed programs should be fully funded by user fees. The Water and Sewer Utilities and the Victoria Conference Centre have established reserves. Any surplus or deficit is transferred at the end of each year to or from each reserve.

Policy 7.0

The City's self financed programs are to be fully funded by user fees including corporate overhead, equipment replacement, debt financing, transfers to reserves and capital expenditures.

Policy 7.1

To ensure that programs remain self funded, user fees for each will be adjusted annually to offset any changes in costs.

8. Debt Management

The maximum amount that the City can borrow from external sources is set by the Community Charter. Debt should only be incurred for one-time capital expenditures and not for on-going programs. Borrowing for one-time capital expenditures allows the cost of the project to be spread out over the useful life of the asset. This results in the costs being paid by future beneficiaries as well as current taxpayers.

Policy 8.0

Debt from external sources should only be incurred for one-time capital projects. These projects should be identified as debt-funded projects in the Five-year Financial Plan and 20-year Capital Plan. A separate report, including a business case, to Council is required seeking approval for proceeding with the borrowing process.

Policy 8.1

Every attempt should be made to keep the debt servicing charges at the current budget level by adding new debt only in the years when other debt issues are retired. This will ensure that there is no additional budget impact and in turn no increase in property taxes as a result of new debt.

Policy 8.2

Debt for Self-financed entities (Water Utility, Sewer Utility, Victoria Conference Centre, and Parking Services) can be incurred if supported through a business case, without consideration of Policy 8.1 which only applies to projects that impact on property taxes.

9. Fees and Charges

Fees and charges are a significant portion of the City's revenues. They will be reviewed on a regular basis to avoid major changes and to provide users with adequate notice of those changes. Any review will include an analysis of the City's costs in providing the service as well as a comparison to other municipalities.

Policy 9.0

Fees and charges will be reviewed annually and adjusted where appropriate. Departments should consider a minimum increase equal to inflation (CPI.) The users will be provided with no less than 2 months notice of those changes.

10. Surplus

Surplus represents non-renewable savings and should not be used for operating purposes or for on-going capital programs.

The Financial Stability Reserves (Operating Fund, Police Department, Water Utility and Sewer Utility) were established to ensure ongoing financial stability and fiscal health of all City Entities. They are funded from the year-end surplus in each respective fund.

Policy 10.0

Surplus will only be considered as a funding source for one-time expenditures. Any surplus not used for one-time expenditures will be transferred to infrastructure reserves, financial stability reserves and/or debt reduction reserves. (Also see Policy 11.)

11. Reserve Funds

The City has a number of reserve funds established for various purposes. The City strives to develop appropriate reserves to meet future financial obligations with respect to City equipment and infrastructure, fiscal needs and employee benefit obligation.

Policy 11.0

Each reserve fund is governed by the City's Reserve Fund Policy that outlines the purpose, the types of expenditures permitted and the desired levels of each reserve.

12. Capital Projects and Programs

Capital projects and programs are funded from a variety of sources including a capital property tax levy, grants and reserves. Once the project or program is completed, its on-going maintenance costs need to be included in the operating budget and future upgrade and/or replacement costs need to be included in the capital plan. These on-going and future costs must be clearly understood before a capital project is approved.

Policy 12.0

Each capital project or program submitted for consideration must clearly state the full initial cost as well as future costs, including operating and upgrade/replacement costs. In addition, the source of sustainable funding for such costs has to be demonstrated.

13. Re-budgeted Capital Projects and Programs

Every year, some capital projects and programs are not completed in the year they were budgeted for. In such instances, a request to re-budget the portion of the project or program that is yet to be completed is submitted to Finance.

Policy 13.0

Requests to re-budget capital projects underway are granted. However, other capital items may be scaled back or deferred to accommodate the re-budget request.

Policy 13.1

Requests to re-budget capital projects that have not been started are not granted. These projects will be considered and prioritized along with all other capital items being put forward.

Policy 13.2

Requests to re-budget capital programs are not normally granted. However, should such a request be granted, next year's program will be scaled back to accommodate the re-budget request.

14. Large Scale Capital Projects

Some capital projects are very large in scale and have various phases.

Policy 14.0

Large scale capital projects will be budgeted in at least two phases. Phase one is for planning and design. Phase two and any subsequent phases are for implementation/build.

Appendix B

Appendix B: Summary of Policies and Practices from Other Municipalities

Municipality	1. Growth in Property Tax Base (Non market change)
Abbotsford	No formal policy in place. Their approach is to budget for non-market change at a fixed, achievable trend level, rather than moving that estimate up and down each year based on recent history and are therefore budgeting more conservatively for this type of tax growth.
Burnaby	No formal policy in place. It is their practice to transfer the additional base funding it receives from "new growth" in property taxes to the Capital Fund to finance new and/or replacement capital assets.
Kelowna	No formal policy in place. Kelowna is working towards using the following objective and strategies: Objective: To ensure property taxes and fees are sufficient to meet the community's short and long-term needs. Strategies: 8.1 Property taxes will remain as stable as possible over time 8.2 Property taxes will be comparative with similar communities 8.3 Increases to property taxes will be balanced among assessment classes 8.4 Property tax information will be transparent and easy to understand 8.5 Property taxes will reflect the infrastructure, services and service levels that the community believes are important
West Kelowna	No formal policy in place however estimates 1% a year and has used this in all projections and it is similar to the expected population growth.
Richmond	No formal policy in place. The Richmond Financial Strategy document specifies that tax revenue increases will be at Vancouver's CPI rate (to maintain current programs and maintain existing infrastructure at the same level of service) plus 1.0 % towards infrastructure replacement needs.
Port Moody	No formal policy in place. The principles that exists include Development Finance. Development Finance Objective: To ensure growth pays for growth and does not impose a financial burden on Port Moody taxpayers. Development Finance Principles: 5.1 New development pays for new servicing 5.2 Development cost charges will be utilized to ensure developers pay their fair share 5.3 Leverage development to provide community amenities
Toronto	No formal policy in place. Toronto's Council has set a number of fiscal sustainability principles and guiding principles and those relating to tax are as follows: Principles: - Affordability of a tax increase should first be viewed in the context of general inflation and/or the growth in the economy, consistent with the changes in costs of maintaining or enhancing existing service levels (new). - Tax increases should be based on service level costs and provide flexibility for taxpayers with limited fixed incomes (per Council's Strategic Plan January 2002). - Innovative approaches to financing services should be considered before using property tax financing, i.e. property tax is the funding source of the last resort (new). - The property tax base should not be used to fund income distributive programs (new).
Ottawa	No formal policy in place. Recommendations that have not been approved specify that growth must pay its own way. Accordingly, development charges were increased to the highest feasible level where development charges are paying 68% of the net capital costs of growth compared to 54% previously.
Maple Ridge	The formal policy in place specifies that real growth will be set based on the experience of the previous planning period and the projections for the ensuing period, using information provided by the BC Assessment Authority, the Planning Department and the Finance Department.
Town of Langley	No formal policy in place specifically applicable to this area however the Reserve and Surplus Policy specifies a primary objective relating is to Ensure Stable and Predictable Levies. In order to have stable and predictable levies, the Township will maintain a reserve to buffer the impact of unusual or unplanned cost increases and revenue reductions over multiple budget cycles.

Municipality	2. Alternate Revenues and External Funding (Grant funding, partnerships, shared project funding etc)
Abbotsford	No formal policy in place. A revenue framework has been drafted that specifies one-time funding sources such as grants should be used only for one-time cash requirements (i.e. discrete projects), whereas ongoing services should be funded by an ongoing revenue source and should be used for previously identified priorities.
Burnaby	No formal policy in place. They take advantage of government grant funding opportunities whenever they arise and welcome opportunities to participate in joint funding/project arrangements that are mutually beneficial. They currently utilize external gaming funds it receives from the Province to fund one-time operating and/or capital expenditures that serve to protect or improve Burnaby's environment, heritage, public safety or arts and culture.
Kelowna	<p>No formal policy in place. Kelowna is working towards using the following objectives and strategies:</p> <p>Grant Objective: Kelowna will pragmatically leverage grant opportunities through the following strategies:</p> <p>5.1 Grants will only be pursued for the City's priority projects</p> <p>5.2 Grant funding will not increase the scope of a project without Council endorsement</p> <p>5.3 Annual project funding must be sufficient without conditional grants</p> <p>5.4 Long-term financial planning will rely on unconditional grant opportunities only</p> <p>Partnerships and Enterprise Objective: To proactively explore opportunities that build community capacity and connections, and leverage resources to provide services that are aligned with the City of Kelowna's priorities.</p> <p>Partnerships and Enterprise Strategies:</p> <p>7.1 The City will pragmatically partner with other entities to deliver community services and amenities</p> <p>7.2 The City will explore access to new sources of capital and revenue streams</p> <p>7.3 The City will leverage existing assets to attract private sector involvement</p> <p>The City of Kelowna possesses many valuable assets such as land, parks and facilities.</p> <p>7.4 The City will leverage the expertise of outside partners</p> <p>7.5 Services from partnerships will be reviewed regularly to ensure the needs of the City continue to be met</p> <p>7.6 The City supports organizations within the community that enhance the quality of life</p>
West Kelowna	No formal policy in place. West Kelowna's practice is to never rely on any external funding unless they have the funds or a signed agreement in hand.
Calgary	<p>The formal policy in place relates to public-private partnerships and states the following guiding principles:</p> <ol style="list-style-type: none"> 1. The public interest is paramount. 2. Appropriate public control must be preserved. 3. Accountability and good governance must be maintained. 4. The project must be a priority as determined by the capital plan. 5. The project must be approved within both the capital plan and the projected operating budget of the relevant business unit. 6. The P3 procurement process must be competitive, equitable, transparent, and timely. 7. The selected P3 delivery model must provide best value for money over the project lifecycle with appropriate consideration of risk transfer, opportunities for innovation, and community issues.
Richmond	No formal policy in place. The Richmond Financial Strategy document specifies that any increases in alternative revenues and economic development beyond all the financial strategy targets can be utilized for increased levels of service or to reduce the tax rate.
Port Moody	No formal policy in place. The principles that exist include an objective relating to grants. It specifies that Port Moody is to minimize reliance on grant funding by reducing reliance on uncertain grant funding and only pursue grants for community priority projects.
Nanaimo	No formal policy in place however Nanaimo receives grants, casino revenue and interest income revenue as alternative sources of revenues.
Maple Ridge	The formal policy in place specifies that the District of Maple Ridge will make every effort to access external funding opportunities from other levels of government and the private sector by developing partnerships, strategic alliances and co-shared project funding to assist in the reduction of expenditures to the District. They also have the ability to allow for an expansion of the tax base, a reduction of the general tax rate, an increase to service levels and/or provide new services.

Municipality	3. Infrastructure Maintenance and Replacement
Abbotsford	No formal policy in place. Abbotsford is currently restructuring the reserve funds to provide greater protection to funds intended for asset renewal and replacement. Previously the "capital" reserves that would hold funds for various functional areas could be used for both new and replacement items and so the new structure will separate funds to be used for new items from funds to be used for replacement items. The asset management function will continue to evolve and currently requires all budget requests for asset replacement projects to consider alternate delivery methods such as whether the asset itself can be replaced in a different form to better address service delivery requirements or to reduce costs.
Burnaby	No formal policy in place. As a result of prudent and strategic financial management practices over the years, the City is currently able to fund the annual depreciation of its capital assets. The depreciation funding is transferred to capital reserves which are used to fund new and/or replacement capital assets. Interest earned on the City's capital reserves is used to fund inflationary impacts that occur each year.
Kelowna	<p>No formal policy in place. Kelowna is working towards using the following objectives and strategies:</p> <p>New Assets Objective: To ensure new asset investments are financially strong, stable, and aligned with City priorities.</p> <p>New Assets Strategies:</p> <ul style="list-style-type: none"> 1.1 Expenditures for new assets will be prioritized based on social, economic and environmental factors and life cycle cost implications 1.2 Emergent opportunities will be evaluated against existing priorities 1.3 Investment in new assets should follow the long-term capital plan 1.4 The decision-making process for new asset investment will be documented, transparent and clearly communicated to Council, staff and the community <p>Renewed Assets Objective: To proactively manage and reinvest in City assets to meet service level needs for current and future generations.</p> <p>Renewed Assets Strategies:</p> <ul style="list-style-type: none"> 2.1 The City will invest in existing infrastructure renewal in accordance with the long-term capital plan 2.2 Funding for asset renewal will be balanced against service levels and risk tolerance 2.3 Life cycle costs should be managed through preventative maintenance and renewal strategies
West Kelowna	No formal policy in place. The capital budget is divided into replacement vs. new.
Calgary	The formal policy in place specifies the asset management plan's goal is to meet a desired level of service for present and future citizens in an optimized way, and occurs through the lifecycle (i.e. planning, creation, acquisition, maintenance, operation, rehabilitation and disposal) of assets.
Port Moody	<p>No formal policy in place. The principles that exist include a renewal and replacement objective that specifies that Port Moody will proactively manage and re-invest in City assets in order to, at a minimum, maintain levels of service for future generations. The principles are as follows:</p> <p>Principles:</p> <ul style="list-style-type: none"> 6.1 Invest in infrastructure renewal/replacement according to the Asset Management Plan 6.2 Periodically review the Asset Management Plan and funding 6.3 Supplement asset funding with additional funding where possible
Burlington	No formal policy in place. The guiding principle followed states that the City of Burlington will maintain all infrastructure in a state of good repair by implementing life cycle costing and provide annual contributions to the replacement reserves to fund the future rehabilitation/ replacement of assets. A review of the asset management financing plan will take place every four years.
Toronto	No formal policy in place. The fiscal sustainability principles and guiding principles state that infrastructure should be evaluated for replacement when it is no longer cost-effective to maintain in a state of good repair. Investment in new infrastructure should be based on analysis of shifts in demographic growth and existing, unmet needs, and capital infrastructure should be funded through the least expensive financing strategy.
Maple Ridge	The formal policy in place specifies that the District of Maple Ridge will establish an inventory of its infrastructure and will keep it up to date where a maintenance/replacement program will be established using best practices. By 2015, the program must be fully funded and the current 5 year financial plan should start to address this on a phased basis. The required tax increase will be beyond that set out in the tax policy, and annual operating and maintenance budgets will be adjusted to accommodate growth.

Municipality	3. Infrastructure Maintenance and Replacement
Town of Langley	<p>The formal policy in place specifies that the Township of Langley establish a Capital Infrastructure renewal and replacement statutory reserve for the purpose of providing funding for capital asset renewal and replacement. The capital assets funded from this reserve shall be either replacement or renewal assets where the renewal cost is defined as an expenditure on an existing asset which aims to return the service potential or the life expectancy of the asset to that which it had originally, prior to its start of usage. The Township will prepare a schedule listing prioritized capital renewal/replacement projects by asset class and be reviewed and updated each year and forms the basis for identifying projects to be funded from the reserve. The capital assets renewal/replacement expenditures are approved by Council through the annual budget process by a simple majority of Council members in attendance.</p> <p>In addition to this, the Township shall strive to contribute to this reserve on a best efforts basis as follows:</p> <ul style="list-style-type: none"> - Initial contribution of \$500,000 increasing by \$500,000 each year until the contribution reaches \$5 million per year. - Transfer of interest earned from the Local Improvement Fund as available - Transfer from operating and capital surpluses as available <p>The minimum balance for this reserve will ideally be \$1,000,000 and the maximum balance will be as determined based on the life cycle replacement of the capital assets. Also, this reserve shall be allocated interest income on the average balance for the year based on the Township's average investment rate for the year.</p>

Municipality	4. Debt Management
Abbotsford	No formal policy in place. The approach by most recent councils has been a desire for zero debt. Abbotsford has been exploring the use of full-cost pricing methods for utilities and using debt to facilitate rate smoothing.
Burnaby	No formal debt policy as Burnaby uses a 'pay-as-you-go' financing strategy for capital investment and has produced capital reserve balances sufficient to fund 80% of the City's five year capital program.
Coquitlam	No formal policy provided however the City of Coquitlam will apply a policy to minimize external debt borrowings and, if required, use existing reserves as a means to internally finance required capital expenditures.
Kelowna	No formal policy in place. Kelowna is working towards ensuring debt financing is used strategically to maintain the City's financial strength and stability. They apply the following strategies: 1. General Fund debt servicing costs will be maintained at or below a targeted level of annual taxation demand 2. The City's debt capacity will be preserved by limiting the use of debt to fund only one-time major capital projects 3. If possible and when beneficial, debt will be paid down earlier 4. Financing for less than a five-year term will be completed through internal financing 5. Impacts on overall City debt levels from "self-funded" cost centres and Funds will be reviewed and understood
West Kelowna	No formal policy in place as it is being updated however the previous policy specified debt to be for one-time capital improvements and unusual equipment purchases, used when the useful project life will exceed the term of financing, and for major equipment purchases where debt servicing is limited to no more than a 3% tax increase per year and is limited to a maximum of 15% of District revenues. Also, reserves are to be considered as a funding source before debt.
Richmond	No formal policy in place as the Richmond Financial Strategy document specifies that a "pay as you go" approach is used rather than borrowing for financing infrastructure replacement.
Port Moody	No formal policy in place. Port Moody's objective is to ensure debt is used prudently to maintain the City's financial sustainability while applying the following principles: 1. Target a maximum debt level of 15% of sustainable revenues 2. Time new debt to coincide with the maturity of existing debt 3. Preserve the City's debt capacity by limiting the use of debt to fund major capital projects 4. Make major debt servicing transparent by using dedicated debt levies 5. Consider paying down debt earlier when possible
Edmonton	The formal policy in place specifies the following: 1. Debt is an ongoing component of the City's capital financing structure and is integrated into the City's long-term plans and strategies. 2. Debt must be Affordable and Sustainable. The City must maintain Flexibility to issue Debt in response to emerging financing needs. 3. Debt must be structured in a way that is fair and equitable to those who pay and benefit from the underlying assets over time. 4. Debt decisions must contribute to a sustainable and vibrant City by balancing quality of life and financial considerations. 5. The issuance of new Debt must be approved by City Council. 6. Debt must be managed, monitored and reported upon.
Burlington	The formal policy in place states that the City of Burlington's debt policy limits the total debt charges and other long term liabilities as a percentage of net revenues to 12.5% (provincial legislated limit is 25%). This allows the city to continue to support issuances of special circumstances debt as well as non-tax supported debt. It also restricts the tax supported debt charges to not exceed 10% of net revenues and allows for a temporary overage of the 12.5% council-approved limit.
Nanaimo	No formal policy in place and adheres to the maximum allowable under the Liability Servicing Limit set by the Community Charter.
Toronto	No formal policy in place. The City of Toronto abides by the principle that borrowing should occur only for assets that have a long-term useful life, and debt repayment periods should not exceed the useful life of the assets.
Maple Ridge	The formal policy in place states that projects that are to be funded by external debt should be submitted to Council with a business case, including recommendations on how the debt will be serviced.
Town of Langley	The formal policy in place is an item from the reserve and surplus policy stating that the debt repayment reserve is used for the retirement of Township Debt. Expenditures are approved by Council through the annual budget process by a simple majority vote and the reserve is funded from general and utility revenues or other transfers. The reserve level is established based on the prevailing debt retirement plan.

Municipality	5. Fees and Charges
Abbotsford	<p>No formal policies in place. In the past the rates for utilities were set using cash flow forecasts based on 10 and 20 year operating and capital requirements however Abbotsford is moving toward a full-cost modeling method which looks at all of the assets in the system, not just those schedule for replacement in the next 20 years. They will use the following 4 principles to aid in finalizing the structure:</p> <ol style="list-style-type: none"> 1. Allocation of Resources Principle: Cities, like all organizations, have scarce resources; those resources must be allocated in such a way that maximizes benefit to the community. 2. Benefits Principle: Those who receive benefits from a good or service should pay for that good or service according to the level or value of the benefit received. 3. Tax-Supported Subsidies Principle: In cases where groups of individuals may lack the resources required to consume City goods and services, the City may choose to provide a subsidy in order to provide them the choice to consume. 4. Sustainable Funding Source Principle: The nature of a funding source should be considered to determine its appropriateness in funding a given service or project
Burnaby	<p>No formal policy in place. It is City practice to levy those fees and charges allowed under the Community Charter to assist in delivering a particular service or program and to align costs with the benefits provided. The City currently imposes a development cost charge for parkland given its long standing support and dedication to developing 'green space' for the residents of Burnaby. As the City has well-established civil infrastructure that has been built-out over years, it does not impose a development cost charge on development to pay for future growth impacting water, sewer, drainage, or roads infrastructure as allowed under the Community Charter. The City however requires developers to pay their portion of civil infrastructure on subdivision development through an Engineering Services Agreement.</p>
Kelowna	<p>No formal policy in place however Kelowna is working towards the objective that user fees and charges are sufficient to meet the City's needs, that everyone will pay a fair amount for the services they receive, the services will be reasonably accessible by all citizens, and user fees will be transparent and easy to understand.</p>
West Kelowna	<p>No formal policy in place as it is being updated however there is no growth to fees and charges unless a bylaw that outlines the growth is in place. For example, fees and charges for ice rentals, field rentals, etc. will have 3 year projected increases as they try and align rates with surrounding municipalities.</p>
Calgary	<p>The formal policy in place for Calgary applies the following principles to set User Fees:</p> <p>Principle 1 - Benefits Principle: those who receive benefits from a particular municipally provided good or service should pay for that good or services according to the level or value of the benefit received.</p> <p>Principle 2 - Cost Recovery Principle: the full cost of providing a good or service, including operating expenses, administrative costs, capital expenses (including depreciation), as well as implicit costs of foregone opportunities or activities that are not being undertaken, environmental costs and social costs, should be the starting point when calculating the appropriate user fee.</p> <p>Principle 3 - Management of Public Assets Principle: public assets have a value and The City has a responsibility to recognize this value and protect these assets.</p> <p>Principle 4 - Allocation of Resources Principle: in an environment with limited resources available and increasing public demand for goods and services, user fees have value as a mechanism for allocating scarce resources.</p> <p>Principle 5 - General Tax-supported Subsidies Principle: when consumption or use of a good or service benefits society as a whole, all citizens should pay for the societal benefit.</p>
Richmond	<p>No formal policy in place. The Richmond Financial Strategy document specifies that as part of the annual budget process, all user fees will be automatically increased by the CPI, the financial model will be used and updated with current information, and the budget will be presented in a manner that will highlight the financial strategy targets and indicate how the budget meets or exceeds them.</p>
Port Moody	<p>No formal policy in place. Port Moody's objective is to ensure property taxes and user fees are sufficient to meet the community's short and long-term needs and are relatively stable year over year. The following principles will also be applied:</p> <ol style="list-style-type: none"> 1. Property taxes and user fees will be kept as stable as possible over time 2. Periodic comprehensive reviews of user fees and tax classes will be conducted 3. Property taxes and user fees will not be supplemented by transfers from reserves 4. Proposed property tax shifts will be carefully analyzed before implementation 5. Property taxes and user fees will be transparent and easy to understand 6. Non-recurring revenues will only be matched to non-recurring expenditures
Burlington	<p>No formal policy however the City of Burlington review the rates and fees annually and adjusted in accordance with inflation and market conditions.</p>
Toronto	<p>No formal policy in place however the City of Toronto abides by the principle that user fees should reflect public policy, and be used to manage demand for limited services and recover costs from non-residents. They should also be flexible, reflecting the ability to pay and service delivery costs.</p>
Ottawa	<p>No formal policy in place. Ottawa currently charges fees to users of many services to cover part or all of the costs of providing those services, such as transit fares, recreation program fees, and childcare fees. One important factor in determining user fee amounts is whether all residents, regardless of income, have access to these services. Other user fees include utility charges such as water rates and sewer surcharges that are included on residents' water bills.</p>
Maple Ridge	<p>The formal policy in place states that fees and charges will be reviewed and adjusted annually. The public will be provided no less than 3 months notice of those changes.</p>
Town of Langley	<p>No formal policy in place. User fee revenue is used to fund ongoing operating expenses such as salaries, long term contract increases, and debt repayments, to ensure regular and preventive asset maintenance required to realize optimal lifecycle costs, and to fund operating costs associated with new capital inventory constructed, contracted or inherited (development) by the Township of Langley.</p>

Appendix C: Summary of City of Victoria Fees and Charges

Fee Category		Review Interval	Last reviewed
Water	Consumption Fee	Annually	2015
	Meter Service	Annually	2015
	Special Fees	Periodically	2015
	Connections Fees	Periodically	2015
Sewer	Consumption Fee	Annually	2015
	CRD Consumptoin	Annually	2015
	Connections Fees	Periodically	2015
	Special and Other	Periodically	2015
Stormdrain	Impervious Surface	Annually	2015
	Intensity Factor Fee	Annually	2015
	Codes of Practice	Annually	2015
	Frontage	Annually	2015
	Connections Fees	Periodically	2015
Solid Waste	Collection Fee	Annually	2015
	Other fees	Periodically	2012
Sidewalk Café	Application fee	Periodically	2015
	Rental fee	Periodically	2015
Adminstrative	Utility and tax information request	Periodically	2004
	NSF	Periodically	2004
	Mortgage info request	Periodically	2004
	Special UB reading	Periodically	2004
Business Licence	BL fees - many categories	Periodically	1989
	Street Entertainment Fees	Periodically	1989
Liquor Licence	Liquor Licensing	Periodically	1989
Vehicles for Hire Bylaw	Licensing Fees	Periodically	2003
False Alarm	False Alarm Fees	Periodically	Within last 3 years
Fire Prevention	Demolition	Periodically	2014
	Fire Watch	Periodically	2014
	Security	Periodically	2014
	Compliance	Periodically	2014
	Inspection	Periodically	2014
	Extraordinary	Periodically	2014
	Investigation	Periodically	2014
	Plan Review	Periodically	2014
	Occupancy Load Calc	Periodically	2014
	File Search	Periodically	2014
Vehicle Inspection	Periodically	2014	
Animal control	Dog Licences	Periodically	2014
	Impound fees	Periodically	2014
	Maintenance Fees	Periodically	2014
Building Bylaw	Permit Fees	Periodically	1988
	Search, Access, Report	Periodically	1993
Plumbing	Permit Fees	Periodically	2004
Electrical	Permit Fees	Periodically	1992
Sign	Permit Fees	Periodically	2014
Blasting	Permit Fees	Periodically	2006

Fee Category		Review Interval	Last reviewed
Development Cost Charges	DCCs	Periodically	2007
Abandoned Properties	Investigation	Periodically	2008
Ross Bay Cemetary	Licence Fees	Periodically	2010
	Interment Fees	Periodically	2010
	Markers Monuments etc	Periodically	2010
	Additional Services	Periodically	2010
Recreation Fees	Rental Fees	Annually	2015
	Crystal Pool Admission	Annually	2015
	RAP Rental	Annually	2015
	Festival Equipment	Annually	2015
	Surface Rental	Annually	2015
	Green Space Rental	Annually	2015
	Filming Fees	Annually	2015
Fireworks	Inspection	Periodically	2010
	Incident Service	Periodically	2010
Noise	Exemption application	Periodically	2003
Rezoning	Pre-application stage	Periodically	2010
	Application Fees	Periodically	2010
	Notice Sign	Periodically	2010
	Public hearing	Periodically	2010
	Large Project Assessment	Periodically	2010
Heritage Revitalization	Application Fees	Periodically	2010
Development Permits	Public hearing	Periodically	2010
	Large Project Assessment	Periodically	2010
	Subdivision	Periodically	2010
	Temporary Commerical	Periodically	2010
Subdivision	Applicatoin	Periodically	2012
Vehicle Impoundment	Impounment fees	Periodically	2002
Tree Preservation	Permit Fees	Periodically	2005
Pesticide Reduction	Permit Fees	Periodically	2007
Parks	Impoundment fees	Periodically	2007
	Permit Fees	Periodically	2007
Towing	Towing & Storage	Periodically	2011
Streets and Traffic	Permit Fees	Periodically	2009
	Impoundment fees	Periodically	2009
	Portable Sign Fee	Periodically	2013
Fuel Storage	Permit Fees	Periodically	2008
Parking	On-street	Periodically	2014
	Off-street	Periodically	2014