

Approval date: July 3, 2018

Resolution No. 314/2018

Section: Financial Services

Subject: Financial Management Policy

Goal

A key challenge facing the City of Penticton and many other communities in Canada is being able to *deliver affordable and sustainable services* to the community in a manner that takes into account the impact on the current population as well as the financial effects on future generations.

Sustainable service delivery is achieved by ensuring that decisions made by staff and Council, both today and tomorrow, are guided by a cohesive set of principles and policies that support financial sustainability, as well as Council priorities.

This policy document provides the City with a blueprint for making good financial decisions through changing conditions, and aims to provide clarity to staff, Council and the community with respect to how financial decisions are made today and into the future.

Financial management policy statements have been developed for eight (8) key areas. They are intended to work together cohesively to guide financial planning and decision-making. The policy areas are:

1. Property Taxes
2. Utility Fees
3. Reserve and Surplus Funds
4. Debt
5. Grants
6. Development Financing
7. Asset Renewal
8. New Capital Investment

Financial Management Principles

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

ALIGNMENT Council's priorities are aligned with, and supported by, sustainable long term financial planning

Ensuring the City's vision and potential can be successfully realized in a sustainable manner will require foresight and diligent financial planning. New investments will need to be carefully prioritized and balanced with the on-going reinvestment requirements of existing infrastructure.

FLEXIBILITY Financial decisions shall ensure future flexibility to adapt to opportunities and changing circumstances

In an ever-changing world, opportunities and challenges inevitably will present themselves. The City needs the flexibility to take advantage of arising opportunities and to respond to imminent challenges. Resources will need to be accessible for the unforeseen and policy frameworks will need to allow for flexibility and swift action when required.

VITALITY The City shall proactively support economic vitality through the implementation of business friendly policy and the on-going development of strategic partnerships with First Nations, industry and the community

The City of Penticton is blessed with a world class setting and the community facilities that make it an attractive location for tourism and business investment. By leveraging and further developing the City's strengths and regional partnerships the community can ensure it remains vital and economically sustainable over the long term.

VALUE The City shall provide economical and effective services and ensure that public resources are put to the best possible use

The citizens of Penticton expect consistent and quality services from their local government. They also expect that decisions regarding the variety and level of services they receive and pay for make efficient use of their tax dollars and user fees. This requires a careful balance between the level of service and the cost of the service to ensure the needs of the City are met.

TRANSPARENT Financial strategies, plans and processes are accessible and visible

The citizens of Penticton, like in any community, need to understand what their local government is doing. Having information easily available and presented in a form that is easy to understand encourages discussion and engagement, and holds decision-makers accountable. Being transparent ultimately builds trust in the government and benefits the community overall.

Policy

1. PROPERTY TAXES

1. The setting of Property Tax rates will be informed by the full cost of delivering City services, including asset replacements, and by the long-term investment priorities of the community
2. The City is committed to funding asset management and will contribute an additional \$300,000 from Property Taxes annually to the Asset Sustainability Reserve

3. Property tax increases will be kept as consistent and stable as possible over time so as to allow effective long term financial planning and to avoid the need for large one-time tax adjustments
4. Opportunities to generate revenues from non-taxpayer sources will be proactively explored and leveraged

2. UTILITY FEES

1. The setting of Utility fees will be informed by the full cost of delivering the service, including asset replacements, and by the long-term investment priorities of the community
2. Utility fee increases will be kept as consistent and stable as possible over time so as to allow effective long term financial planning and avoid the need for one-time large rate adjustments
3. Everyone pays a fair amount for the services they benefit from

3. RESERVES AND SURPLUS FUNDS

1. Uncommitted annual surplus will be directed towards: accumulated surplus; asset replacement; and emergency reserves, in accordance with the *City's Year End Surplus Policy* and will not be used to offset property tax increases
2. Annual contributions to reserves will be budgeted for and the amounts will be informed by the long term financial plan and the annual replacement amortization expense for each asset category
3. Target reserve balances will be specified in the *City's Reserve Policy*

4. DEBT

1. The use of debt will be focused on major projects that maintain or increase service levels or are priorities for the community
2. Where practical, acquiring new debt will be timed with the retirement of existing debt
3. The funding to service new debt will, whenever possible, be derived from non-taxpayer revenue sources
4. Maintain no more than a maximum of 40% of our liability servicing limit for debt servicing capacity in order to allow for funding of emergent opportunities and/or emergency situations
5. The use of debt will be considered to leverage available grant funding for priority projects

5. GRANTS

1. Focus the pursuit of conditional grants on strategic priority projects and programs
2. If advantageous adjust the timing of capital and operating projects to align with the grant funding opportunities

3. Advance priority projects to a “grant ready” status to ensure emergent grant opportunities are fully leveraged

6. DEVELOPMENT FINANCING

1. Ensure developers pay their fair share for growth related infrastructure
2. Where advantageous, the deferral or abatement of DCC charges may be considered to encourage economic development and strategic community initiatives in accordance with Provincial legislation authorizing such deferral or abatements
3. The City may consider ‘front ending’ (City funding) certain development related projects where it is deemed advantageous to the community
4. The associated revenues and ongoing costs, including asset replacement, of the contributed assets will be considered prior to approving new development

7. ASSET RENEWAL AND REPLACEMENT

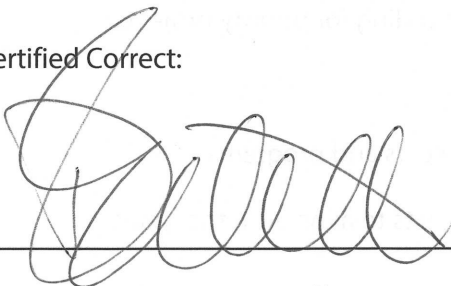
1. Whenever possible, the renewal of linear assets will be financed on a pay as you go basis (i.e. reserves or current revenues rather than debt)
2. Balance asset renewal funding and reserve levels with tolerance for risk and service levels
3. Replacement and renewal projects will be prioritized using a consistent and structured decision-making process that considers risk, life cycle cost and level of service
4. The City will consider the use of *Local Area Service* charges for asset renewal projects when it is deemed appropriate

8. NEW CAPITAL INVESTMENT

1. Capital projects will be prioritized using a consistent and structured decision-making process that is informed by existing City plans and aligned with Council’s priorities
2. The impact of each proposed capital project on the City’s operating budget will be fully considered including full life cycle costs

Previous revisions N/A

Certified Correct:



Dana Schmidt, Corporate Officer