

**REGIONAL DISTRICT OF OKANAGAN-SIMILKAMEEN
BOARD POLICY**

POLICY: Revenue Policy

AUTHORITY: Board Resolution dated November 16, 2023.

POLICY STATEMENT:

The Board of Directors of the RDOS is committed to financial leadership and consistency. This policy assists in formalizing a defined and transparent process in the funding of expenses

It is essential that local governments maintain adequate levels of reserve balances to mitigate current and future risks, ensure stable tax rates, and demonstrate financial commitment to long-range infrastructure and master plans. The following guidelines and principles in this policy form the basis of this policy:

- Sufficient reserve funds are important in achieving financial health and stability for the RDOS
- Reserve goals need to be consistent with and supportive of established long-term financial plans
- Reserve fund management needs to conform to the statutory and legal requirements of the *Local Government Act* and the *Community Charter*, generally accepted accounting principles (GAAP), and public sector accounting board (PSAB) recommendations

PURPOSE

To establish consistency and controls on revenues, debt financing, surpluses, the use of reserves, and other charges such as Development Cost Charges and Latecomer Fees.

DEFINITIONS

“Annual Surplus” means the accumulated excess of revenues over expenditures for the current year.

“Reserve Funds” means funds that are set aside for a specified purpose by the Board pursuant to subsection 188 (1) of the *Community Charter*. These reserves are established through Board bylaws. Reserves which are not statutory are discretionary on the part of the Board. These reserve can be operating or capital.

“Reserves” means all the RDOS reserve funds, statutory and non-statutory.

“Statutory Reserve Funds” means funds set aside for specified purposes as required by specific legislation. These reserves are established through RDOS bylaws and are non-discretionary on the part of the Board.

RESPONSIBILITIES

The RDOS Chief Financial Officer shall be responsible for:

- Recommending the necessary contributions and transfers so that the RDOS’ reserves funds, statutory reserve funds, and unappropriated surpluses are maintained in accordance with this policy.
- Conducting an annual review of all reserve funds, statutory reserves funds, and unappropriated surpluses balances and report the results of such review to the Board.
- Recommending any revisions or amendments to this policy as may be required.
- Reviewing fees and charges on an annual basis.

PROCEDURES

Yearly Tax Requisition:

The Board on a yearly basis will review the recommended tax requisitions for each of the participating members and if higher than the anticipated year-end consumer price increase direct staff to explain why the increase has been recommended.

Fees and Charges:

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

Debt Financing:

Debt financing of capital improvements and equipment will only be considered when the following conditions exist:

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

Surplus Funds

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

Use of Surplus Funds

The yearly surplus for each service will be identified and unless otherwise directed by the Board will be transferred to the service's operating reserve. No more than 15% of the previous year's surplus may be used to offset operational expenses.

Reserve funds

Reserve funds shall be set aside to:

- a) Provide sources of funds for future capital expenditures;
- b) Operational reserve may be used to provide a source of funding for areas of operational expenditure that fluctuate significantly from year to year, and if required fund capital projects;
- c) Protect the RDOS from uncontrollable or unexpected increases in expenditures or unforeseen reductions in revenues, or a combination of the two;
- d) Provide for working capital to ensure sufficient cash flow to meet the RDOS' needs throughout the year;
- e) Set the minimum level for the operational reserve at 15% of the service's operational expenditures with a maximum of 20% of the service's operational expenditures. Operational reserves are meant to address unexpected, nonrecurring costs. Reserves should not be used for recurring annual operating costs. An exception is poor economic conditions or events that disrupt revenues. In such cases operational reserves may be used to provide short-term relief, with the Boards approval; and
- f) Set the minimum level for the capital reserves to adequately fund the capital projects identified in the capital plan for the next 3 years, with a maximum level of capital reserves to fund all capital project identified in the five year capital plan. If the Board determines that borrowing may be used to fund certain capital projects, the borrowed amount may be used to reduce the reserve levels.

The RDOS Reserve Funds

- a) Reserve Funds (Statutory Reserves) which are authorized either by the *Community Charter* or by bylaw.
- b) General (Non-statutory) Reserves which are a combination of budgeted allocations such as equipment replacement reserves, or an operational reserve.
- c) Each service provided by the RDOS and is not strictly a service to fund debt will have at least one capital and one operational reserve.

Rate Stabilization Fund

- a) ((Interest earned for the year) x 0.05%) to be added to the rate stabilization fund on a yearly basis.
- b) The fund will be used only to equalize revenues, with the Board's approval, in years that service that rely on revenue are lower than expected.

Development Cost Charges

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

Under section 188 (2) of the *Community Charter* separate reserves must be established for DCC collections and use. Under section 935 of the *Local Government Act* DCC reserve bylaws should be established for all services for which DCC can be collected:

- a) Parks DCC
- b) Water DCC
- c) Sewer DCC

Latecomer Agreements

- a) Where applicable for a development to proceed, a developer may request, or the Regional District may require, that specific off-site works be provided, such as, water, sewage or drainage.
- b) Latecomer agreements set the terms by which developers can recover costs for excess capacity beyond what is required for the initial development and must be Board approved through a bylaw. The agreement term is 15 years (unless amended by the Province).