

Financial Policies

Municipal financial planning processes are subject to legislative requirements including having to set out the objectives and policies of the municipality in relation to the following:

- For each of the funding sources described in subsection (7), the proportion of total revenue that is proposed to come from that funding source;
- The distribution of property value taxes among the property classes that may be subject to the taxes;
- The use of permissive tax exemptions.

The following goals provided guidance for the preparation of the current planning process:

- Continue to monitor proportional revenue sources relative to the BC average and review user fees with respect to cost recovery for services provided;
- Ensure adequate tax and user fee revenue to sustain existing service levels, including price changes resulting from the cost of doing business and adequate renewal/rehabilitation of existing infrastructure;
- Support additional increases to tax and user fees, beyond sustaining existing service levels, by a business case which considers on-going operating costs and alignment with the community vision;
- Maintain relatively stable tax and user fee increases that are aligned with standard cost of business changes;
- Phase in any future increases where future costs are identified in advance, so as to minimize spikes in taxes and/or user fees; and
- Limit borrowing to a level that allows room for emergencies and unexpected opportunities with a target debt servicing limit of 20% of revenue.

In 2011 the District also began a review of its long term financial requirements. Guiding principles and policies were established that outlined a number of best practices for attaining the goal of financial sustainability.

The following are policies identified in the Long Term Financial Plan Guiding Principles and Policy.

1. Revenue

- a. Ensure adequate tax and user fee revenue to sustain existing service levels and to provide for the renewal and rehabilitation of existing infrastructure;
- b. Support any additional increases to taxes and user fees by a business case which considers on-going operating costs and alignment with the community vision;
- c. Maintain relatively stable tax and user fee increases with standard cost of business changes; and
- d. Phase in future increases in advance to minimize spikes in taxes and user fees.

2. Tax Allocation

- a. Ensure the allocation of taxes is equitable and reflects the value of services provided;
- b. Maintain a business tax multiplier that encourages new business investment in the District of Squamish (target a tax multiplier in relation to residential of 2.5-2.8).

3. Debt

- a. Reserve the issuance of debt for larger projects where reserves and current revenues will not be sufficient (currently building up a target threshold);
- b. Maintain a debt servicing ratio that allows borrowing room for emergencies and unexpected opportunities (target debt servicing limit: maximum 20% of revenue as opposed to the legal limit of 25% of revenue);

4. Grants

- a. Ensure revenues are adequate to cover regular capital and operating costs assuming no grants are available to avoid reliance on senior government operational grants. Funds should be allocated to reserves and/or debt reduction in the event operational grants are received;
- b. Limit grant applications to projects identified in the long term financial plan and ensure they support the community's vision and administrative and operational costs are acceptable and affordable in relation to the benefits of the project;
- c. Be proactive by advancing projects identified as part of the District's long term plan to the point of being "shelf-ready" in anticipation of future grants.

5. Land and Asset Sales

- a. Apply all proceeds from municipal land and/or asset sales directly to debt reduction or reserves with the first priority to debt reduction;
- b. Only hold land where there is a potential municipal purpose, and avoid holding land solely for future development.

6. Reserve Contributions

- a. Establish an emergency reserve to be accessed for unexpected events requiring immediate funds;
- b. Establish and maintain working capital (accumulated operating surplus) using annual surplus target value of 1/8th of annual operating expenses;
- c. Build capital reserves to fund future infrastructure rehabilitation as outlined in the respective asset management plans (target a minimum balance of one year average capital contribution from revenue).

7. Operational Expenditures

- a. Ensure efficient solutions to service delivery are being regularly pursued and implemented throughout municipal operations;
- b. Examine all options for project delivery when considering new facilities and services to ensure best value for tax payers.

8. Capital Expenditures

- a. Base replacement of existing assets on the actual condition of the asset and not the theoretical lifespan;
- b. Fund ongoing rehabilitation/replacement out of current revenue except for projects over the defined threshold which can be funded through a combination of revenue, reserves and debt;
- c. For new assets, fund small capital projects through current revenue and reserves and larger projects through a combination of revenue, reserves and debt. Larger projects require a business case which considers on-going operational costs and alignment with the community vision;
- d. Ensure growth pays for itself, recognizing that in certain situations the District may choose to front-end projects where there is a specific advantage to the community.

9. Project Delivery: Public-Private Partnerships

- a. Consider public-private partnerships (P3s) as a method of service delivery for new capital works and services;
- b. Evaluate potential P3 projects when they are sufficiently large and there is a business case for private involvement focusing the decision on expertise accessible from a partnership and financing options that would otherwise be unavailable.