CITY OF PRINCE GEORGE

POLICY

POLICY NAME: SUSTAINABLE FINANCE POLICY

CATEGORY:	CITY GOVERNMENT – SUSTAINABLE FISCAL MANAGEMENT
APPROVED BY COUNCIL:	2019/05/13
AMENDED BY COUNCIL:	2020/11/23
AMENDED BY COUNCIL:	2021/08/16
AMENDED BY COUNCIL:	2023/09/11
AMENDED BY COUNCIL:	2024/10/21
AMENDED BY COUNCIL:	2025/07/14
DEPARTMENT RESPONSIBLE:	DEPARTMENT OF FINANCE AND IT SERVICES

PURPOSE:

To provide the framework for financial management to enable the City to provide services today and in the future.

POLICY:

1. Financial Plan (*Community Charter* Sections 165 and 166)

The City's Financial Plan is aligned with its Strategic and Corporate Plans and reflects the revenues from and costs of delivering its services.

Policy 1.0

Administration regularly reviews departmental/divisional operations and identifies efficiencies and cost savings.

Policy 1.1

Budget Service Category Plans outline services to be provided and any operational cost savings that may be achieved.

Policy 1.2

Approved new services and enhancements to existing services may be funded by one or a combination of the following:

a. Reduced cost of existing services;
b. Increased non-property tax revenues;
c. Increased property tax revenue;

d. Accumulated surplus (for one-time expenditures only).

Policy 1.3

To address infrastructure reinvestment needs, an increase of 1% to the tax levy per year shall be added at the conclusion of all other budget deliberations and transferred to infrastructure reserves.

2. Property Tax Rates (*Community Charter* Sections 197 and 199)

The City has property tax rates that are stable and fair in comparison to "peer municipalities".

Policy 2.0

Annually, the Finance and Audit Committee will determine a preferred tax rate option and recommend that Council approve it. During its deliberations, the Committee may consider the following information:

a. Value of taxes from new construction;
b. The City and its peer municipalities' assessed values, tax rates, percentages of taxation by class, tax class multiples, and taxes levied and utility fees charged on a representative home;
c. Residential tax rates should be structured to have the estimated Representative Home tax increase match the overall tax levy increase approved by Council in that year;
d. The Utility Tax rate will be set at the greater of the rates allowed under BC Regulation 329/96;
e. The Business Tax rate should not exceed a multiple of 2.5 of the Residential Tax Rate.

3. Self-Funded Services

The City's water, sewer, solid waste, and off-street parking services are self-funded.

Policy 3.0

User fees, parcel taxes, special agreements, and government grants are used to fully fund water, sewer, solid waste and off-street parking services.

Policy 3.1

The cost structure of the water, sewer, solid waste, and off-street parking services include a management fee so that the users contribute to the City's general overhead costs which include the provision of facilities and office and general corporate services such as human resources and accounting.

4. User Fees (*Community Charter* 194)

The City of Prince George provides goods and services that benefit the community and goods and services that benefit specific organizations and individuals. The City follows the general principle that

taxpayers pay for public goods and services and users pay for private goods and services but recognizes that there is the need for exceptions to that principle.

Policy 4.0

Annually, budget managers will review their goods' and services' costs and provide recommendations to the Finance and Audit Committee concerning the introduction of new user fees and the modification of existing user fees.

Policy 4.1

Goods or services provided to specific, identifiable recipients will be fully funded through user fees except when:

a. Subsidized or free use of a good or service will provide a significant public benefit or influence personal choice;
b. Attempting to fully recover costs through user fees will result in reduced use of a good or service and in reduced revenue to the City;
c. Attempting to fully recover costs through user fees will result in denied access to intended users;
d. The cost of collecting user fees will be excessive or will require extreme measures.

Policy 4.2

Exceptions to the general principle that taxpayers pay for public goods and services and users pay for private goods and services will only be made after considering the impacts of making exceptions on the City, the taxpayers, and the users.

5. Financial Assistance

The City of Prince George may provide financial assistance to community organizations as a cost-effective means of achieving the City's objectives.

Policy 5.0

Programs may be developed which provide financial assistance to community organizations. Such programs will include statements concerning the objectives to be achieved and will be recommended to Council for approval.

Policy 5.1

The City's annual budget process will identify the funds which may be available for programs which provide financial assistance to community organizations.

Policy 5.2

Organizations applying for financial assistance will be required to demonstrate that:

a. The programs or projects for which they're applying for financial assistance will contribute to the attainment of the City's objectives.
b. They have a need for financial assistance to operate the programs or projects.
c. The level of public benefits provided by the proposed programs or projects is proportionate to the private or commercial benefits of the proposed programs or projects.
d. In operating their programs or projects, they maximize partnerships, cooperation, or co-ordination with other community organizations.
e. They have an inclusive approach and actively encourage potential beneficiaries of the programs or projects to participate in them.
f. They adhere to acceptable standards of governance and accountability.

Policy 5.3

City staff or Council committees will adjudicate applications for financial assistance. City Council will approve applications for financial assistance or, in the case of some programs, delegate the authority to approve applications to staff.

Policy 5.4

Organizations which have received financial assistance will be required to report on their programs' or projects' activities, contribution to the City's objectives, and use of public funds.

Policy 5.5

The City may provide permissive tax exemptions (*Community Charter* Section 224) to non-profit organizations as a means of achieving its objectives of enhancing the community's quality of life and delivering services economically.

Policy 5.6

The City may provide revitalization tax exemptions (*Community Charter* Section 226) as a means of encouraging development which will enhance the community's economic, social, and cultural quality of life. Revitalization tax exemption programs will be enacted by bylaw and included in the City's Financial Plan.

6. Investments (*Community Charter* Section 183)

The City invests funds that are in excess of its current needs.

Policy 6.0

Staff primarily purchases Municipal Finance Authority investments due to their competitive rates and lower administrative costs.

Policy 6.1

Staff purchases a combination of short-, medium-, and long-term investments that both maximize the rate of return and ensure that funds are available to meet the City's current and scheduled financial obligations.

Policy 6.2

Annually, Administration presents information to the Finance and Audit Committee concerning investment composition, balances and earnings as of December 31st of the prior year.

7. Accumulated Surpluses

The City projects revenues and expenses conservatively and analyzes budget variances regularly. This approach usually results in modest annual operating surpluses. General, water, sewer, district energy, solid waste and off-street parking fund accumulated surpluses are retained to: reduce the need to borrow early in the year before property tax and utility fee revenues are received and provide funds that may be required to deal with major emergencies.

Policy 7.0

The City attempts to maintain the General, Water, Sewer and District Energy Operating Funds' accumulated surpluses between 5% and 10% of the respective Operating Fund's annual expenditures. Funds in excess of 10% of an Operating Fund's annual expenditures are transferred to the respective fund's infrastructure reserves.

Policy 7.1

The goal of the City is to maintain a general contingency in the annual operating budget that is equal to 1% of the operating budget.

Policy 7.2

The City will maintain a Council contingency in an amount as defined and approved by Council during each year's budget process. This contingency may be used at Council's discretion throughout the year to fund one-time expenses that may arise during the year including, but not limited to, City services and financial assistance requests. Use of these funds for financial assistance must adhere to Policy 5.2 and 5.4 of the Sustainable Finance Policy. Decisions involving the use of Council contingency funds will, when practicable, be made at a Council meeting subsequent to the meeting of the request to allow time for thoughtful consideration of the request and the opportunity to address any follow-up information that may be required.

8. Capital Expenditure Plan

The City funds capital projects from a variety of sources including property taxes, gaming income, grants, reserves, and debt. Once capital projects are completed, they usually have ongoing operating (e.g. maintenance) and capital (e.g. replacement) costs.

Policy 8.0

The City's Capital Expenditure Plan is closely coordinated with its Official Community Plan so that land use policies reflect the City's ability to fund growth and development and so that financial planning reflects the need to invest in infrastructure.

Policy 8.1

The City's Capital Expenditure Plan is aligned with its Asset Management Policy and Strategy, which supports the City in managing its infrastructure assets in a way that ensures sustainable service delivery, meaning that services are provided to the community today in a way that:

- is fiscally, environmentally, and socially responsible;
- is adaptive to changing circumstances and future conditions; and
- does not compromise the ability of future generations to meet their own needs.

The Asset Management Policy and Strategy facilitates the City's long-term financial planning for infrastructure replacement by understanding life cycle costs, service levels, and risk. This supports informed decision making and moves the City toward a sustainable future.

Policy 8.2

The City balances the need and desire for major capital expenditures against its ability to fund them.

Policy 8.3

Each capital funding request will clearly indicate the initial cost and will identify the sources of funding for those costs. For new projects over $1 million, the future operating and replacement costs, and the estimated service life of the project will also be provided.

Policy 8.4

The unspent amount of funding for an approved capital project may be carried forward to the following year's Financial Plan if the project has begun. Every year, unspent capital funds for projects that have not begun will be brought forward to the Standing Committee on Finance and Audit for information and reviewed and considered for carryforward approval by the Senior Leadership Team.

Policy 8.5

a. Twice per year, Administration will present information to the Finance and Audit Committee and Council concerning the progress of active capital projects that meet the threshold of "significant" defined as "budget or actual spending of $1 million or more, as well as debt funded projects, Endowment Reserve funded projects, and any of the Emergency Infrastructure Reinvestment capital projects".

b. Once quarterly, Administration will report information to Council and the Finance and Audit Committee concerning the progress and status of active capital projects that meet the threshold of "substantial" defined as "budget or actual spending of $10 million or more on a

stand-alone project, as well as debt funded projects, Endowment Reserve funded projects, and any of the Emergency Infrastructure Reinvestment capital projects."

9. Gaming Income

The City has a Host Financial Assistance Agreement with the Province of BC (Minister of Public Safety and Solicitor General) for the Treasure Cove Casino. The agreement provides for 10% of net gaming income to be transferred to the City on a quarterly basis. The funds can be used for any purposes that are within the lawful authority of the City.

Policy 9.0

Gaming income will be used to fund general capital projects, the City's Major Events program, and non-recurring general operational projects or programs approved by Council in the 5 year financial plan.

10. Reserves (*Community Charter* Sections 188 and 189)

The City establishes and maintains reserves to:

a. Provide sources of funds for future capital expenditures.
b. Provide sources of funds for areas of expenditures that may fluctuate significantly from year to year (e.g. mobile equipment, computer equipment).
c. Protect the City from uncontrollable or unexpected increases in expenditures (e.g. snow control) or decreases in revenues or a combination of both.

Policy 10.0

Money in a reserve, including the interest earned, will only be used for the purpose for which the reserve was established. Proposals to appropriate funds from reserves will include repayment plans.

Policy 10.1

Annually, Administration will present information to the Finance and Audit Committee concerning reserve balances and recommended transfers. Reserves that are repealed will have their balance (if any) transferred to either the Endowment or the Capital Expenditure Reserve.

Policy 10.2

The Snow Control Reserve will have a goal of maintaining a reserve equal to 25% of the annual net snow control expenses, as well as the capital needs of the snow control function.

11. Internal Debt

The City operates the Endowment Reserve as a "revolving fund". Appropriations from this reserve are referred to as "internal debt" and the monies borrowed are repaid with interest from the General Operating Fund.

Policy 11.1

Annually, Administration will present information to the Finance and Audit Committee concerning projects, outstanding amounts and annual repayments of the City's internal debt program.

12. External Debt (*Community Charter* Sections 174 and 175)

The City of Prince George uses debt as an important component of capital financing and realistic long term financial plans. Using long term debt allows the costs of acquiring capital assets to be spread out over their useful lives and to be paid for by their current and future beneficiaries. The *Community Charter* governs the maximum amount of external debt that the City can incur. The City makes debt payments for general, sewer, water, district energy, solid waste and off-street parking projects from their respective operating funds.

Policy 12.0

The City will look at asset classes and determine whether or not to establish stable ongoing funding through a levy (i.e. Road Rehabilitation) or through debt as needed.

Policy 12.1

The City will review balances owing on Municipal Finance Authority issued debentures upon their 1st ten-year maturities and consider using the Debt Reduction Reserve to retire the debentures.

13. Budget Management

City department directors are accountable for their departments' financial results.

Policy 13.0

At scheduled times during the year; budget managers will review and document their capital and operating variances (i.e. the differences between their Service Categories' budgeted revenues and expenses and their actual revenues and expenses) and submit them to the Finance Department. Budget managers will explain business unit variances that equal or exceed 5%.