



LOCAL GOVERNMENT FINANCIAL MANAGEMENT

Our Agenda

- Budgeting
- Property Taxation
- Other Revenue Sources
- Borrowing
- Expenditures
- Reporting
- Infrastructure
- Resources

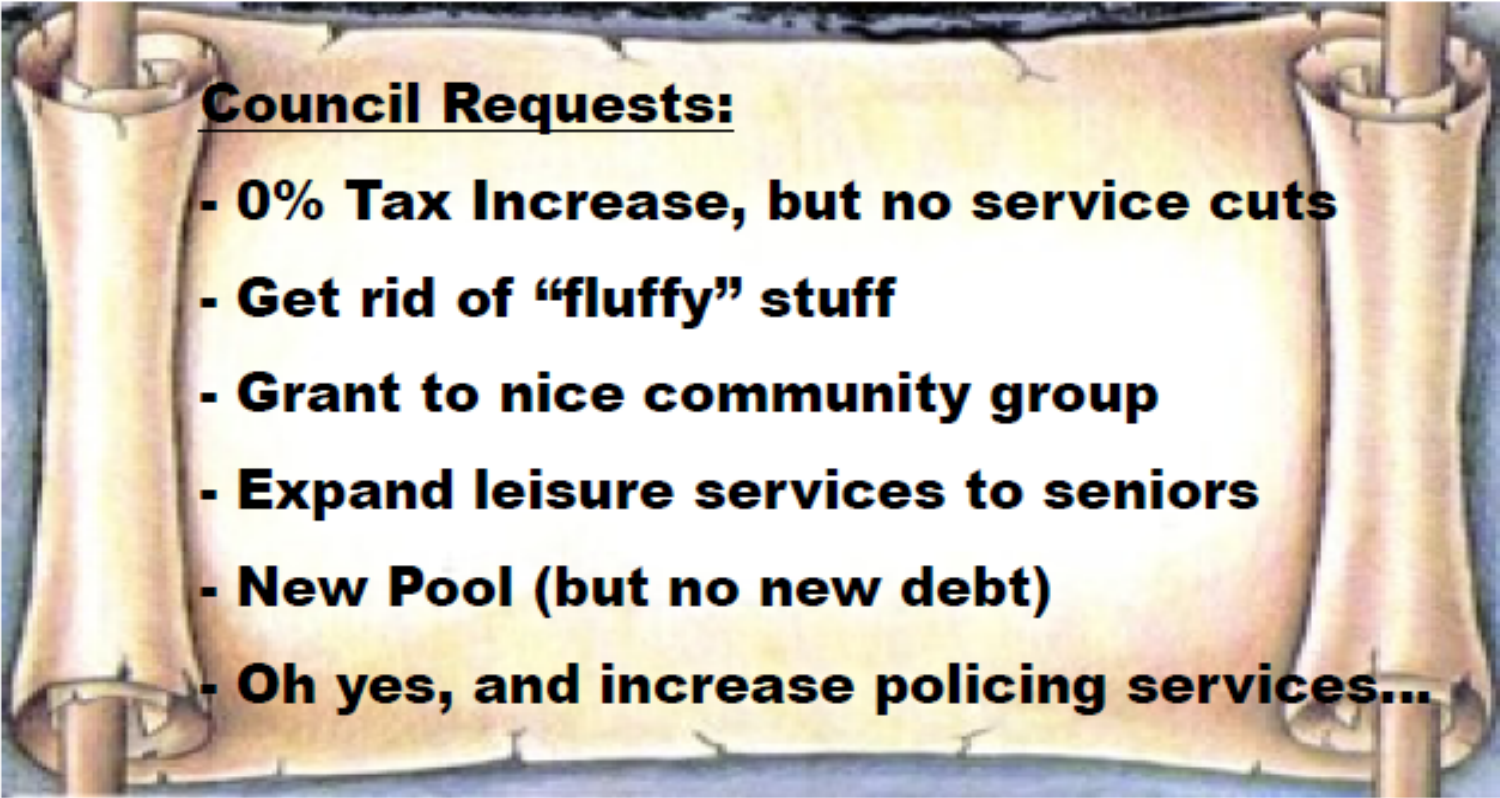




BUDGETING? Financial Planning...

- Why do you have to “budget”? How does it work with this Five Year Financial Plan I’ve heard about?
- Timetable and Process
- Pitfalls

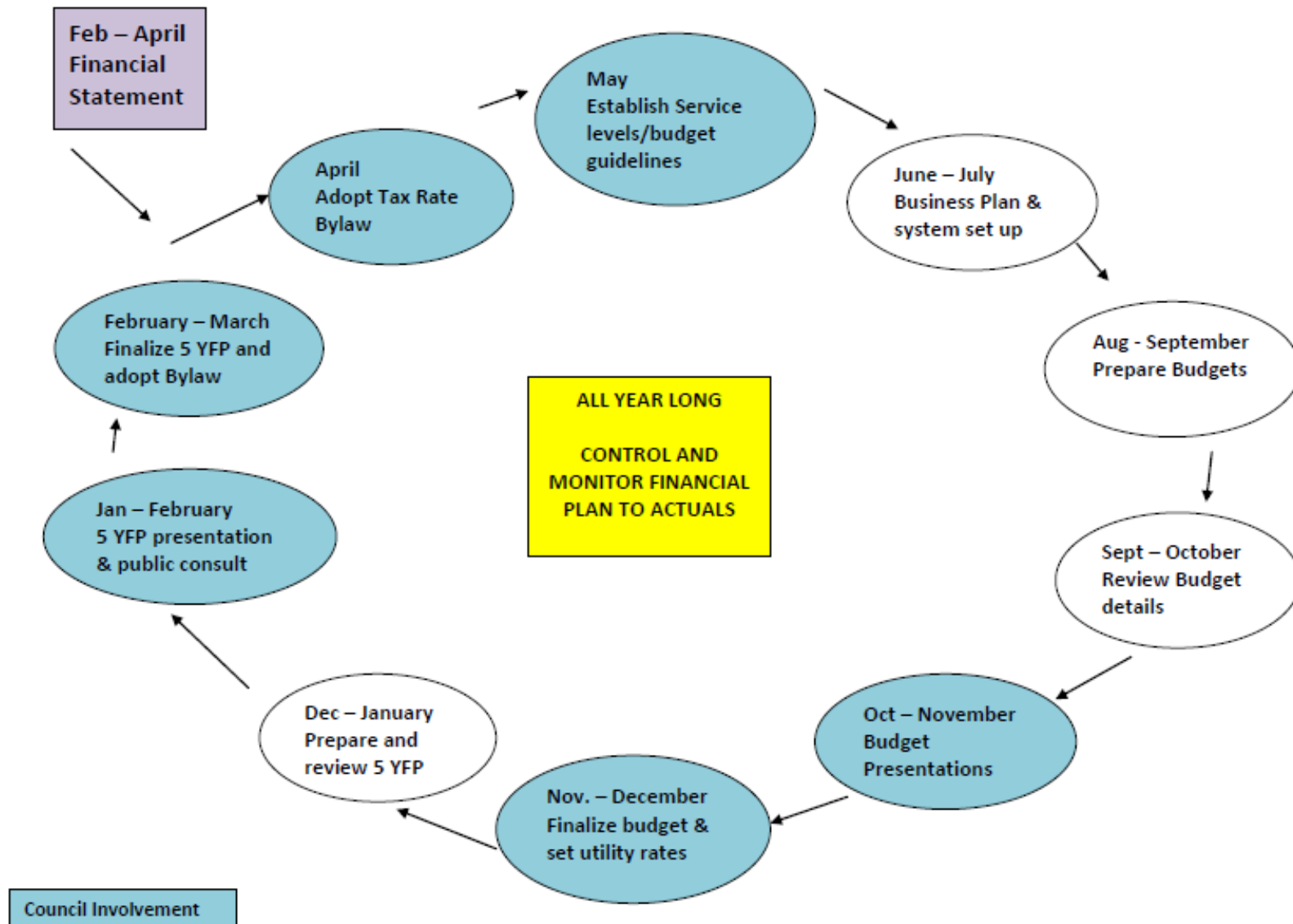
Be Realistic

A scroll with a list of council requests. The scroll is unrolled and held by two wooden rods. The text is written in a bold, black, sans-serif font. The scroll has a yellowish, aged appearance with some creases and a red border around the text area.

Council Requests:

- **0% Tax Increase, but no service cuts**
- **Get rid of “fluffy” stuff**
- **Grant to nice community group**
- **Expand leisure services to seniors**
- **New Pool (but no new debt)**
- **Oh yes, and increase policing services...**

TYPICAL BUDGET CYCLE





Roles (related to financial plan)

Council - Policy

- Set Policy On
 - Services staff delivers
 - Tax rates (overall and each class)
 - Parcel Taxes
 - User rates
 - Accumulation/use of reserves
 - Who pays for growth (i.e. DCC's)

Council is ultimately responsible

Staff - Implementation

- Prepare financial plan documents and supporting analysis
- Make recommendations to Council
- Carry out policies



Financial Plan - Basics

The Financial Plan must be adopted annually by bylaw before May 15 (CC s.165):

- 5-year plan (current year and next 4 years)
- Capital and Operating
- Main components (“funding sources”, expenditures, and transfers)
- **Cannot budget for a deficit**
- Actual deficits must be carried over as an expenditure to the next year’s financial plan
- Public Consultation BEFORE the Plan is adopted.
- May amend plan by bylaw throughout the year



Financial Plan - Policies

- The Financial Plan must set out objectives and policies in relation to:
 - ❖ the proportion of total revenue proposed to come from each funding source
 - ❖ the distribution of property value taxes among the property classes
 - ❖ the use of permissive tax exemptions
- Council is responsible for setting these objectives and policies
- Staff implements the policies



PROPERTY TAXATION

- Assessment
- The Tax Cycle
- Ad valorem taxes (assessment based) vs. Parcel taxes
- Tax Exemptions
- General Municipal Taxes vs. Everything else (School, Police, Regional District, and so on)



Assessment

- Assessment x Tax Rate = Property Tax
- There are 9 Assessment Classes (residential, business, industry, farm)
- Tax rates are expressed a \$ per \$1000 of assessment

Tax rate example formula:

$$\text{\$600,000} \times \text{\$5/1,000} = \text{\$3,000}$$

| | | |
|------------|----------|-------------|
| Assessment | Tax Rate | Tax Revenue |
|------------|----------|-------------|



Assessment and Taxation Cycle

| | |
|--------------------------|---------------------------------------|
| July 1 | Assessment Valuation date |
| October 31 | Permissive Exemptions set |
| December 31 | Assessment Rolls & Notices |
| January 31 | Court of Revision deadline for appeal |
| Before May 15 | Tax Rates set |
| May 15 (approx.) | Tax Notices mailed |
| July 2 (approx.) | Tax due date |
| Last Monday in September | Tax sale takes place at 10 a.m. |



Basis of Property Taxation

- “Ad valorem” – your tax rates x assessment base
- Tax Rate Bylaw by May 15th
- Five Year financial plan needs to be passed BEFORE the tax rate bylaw



Parcel Tax (S.200-209 CC)

- Parcel taxes may be imposed:
 - per parcel
 - on taxable frontage
 - on taxable area
- Parcel tax must be imposed by bylaw which must include:
 - The service, term (years) and basis on which the tax is imposed
 - Allow for the creation of a parcel tax roll
- A separate bylaw is required for the preparation of the tax roll



Tax Exemptions - General

- General Statutory (mandatory) Exemptions (CC s.220) set by provincial statute
 - e.g. municipal property, place of public worship, library



Tax Exemptions - Permissive

- Permissive Exemptions (CC s.224 to 225) at the discretion of council (by bylaw)
 - e.g. property of a charitable, philanthropic or not for profit corporation
 - Maximum term of most exemptions (without requiring annual renewal) 10 years
 - Municipalities should have general policy regarding granting permissive exemptions to ensure consistency
 - Bylaw must be passed



Revitalization Tax Exemption (CC s.226)

- Permissive tax exemptions can be provided for eligible property or activities
- Not subject to restriction on the prohibition on assistance to business
- Requires the following:
 - Revitalization Tax Exemption Program bylaw
 - Exemption Agreement
 - Exemption Certificate

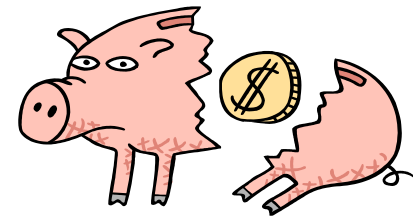
Taxes Collected for Others

- General Municipal
- School
- Hospital
- Police (<5,000 pop.)
- Regional District
- BCAA and MFA



OTHER REVENUE SOURCES

- Other Fees and Charges
- Reserve Funds and Surpluses
 - Statutory Reserves and Reserve accounts
- Development Cost Charges
- Grants





Fees and Charges (CC s. 194)

- Imposed by bylaw
- May be levied in relation to:
 - A municipal service
 - Use of municipal property
 - Exercise of regulatory authority



Fees and Charges (Cont')

- Broad Fee authority
 - Establish and vary the fee based on any factor set in the bylaw
 - Establish terms and conditions of payment
 - Provide a refund
 - May apply outside the municipality
- Municipality must prepare a report stating how the fee was determined and have it available on request



Surplus Funds

- Local governments cannot intentionally budget for a surplus:
 - this would be taxing in advance of need for funds
 - However, a contribution to a capital reserve is acceptable
- Originates out of the year-end financial position due to:
 - higher volumes of activity generating fees
 - reduced operating expenditures

The financial plan is compared to actual results and excess revenue remains after “books are closed”



Reserve Funds

- Legislation sets out requirements for funds which **must be set aside** in specific reserves (CC s. 188 (2))
- Special rules exist for transfers between reserve funds, inter-fund borrowing and allocation of unused funds (CC s. 189)



Establishment of Reserve Funds (CC s. 188)

- A council may, by **bylaw**, establish a **reserve fund** for a **specified purpose** and direct that money be placed to the credit of the reserve fund.
- If a municipality receives money in respect of any one of the following, the council **must establish** a reserve fund for the applicable purpose:
 - a development cost charge
 - disposition of park land
 - disposal of highway property
 - parking space requirements
 - tax sale proceeds



Development Financing

- Development Cost Charges (LGA s.932)
 - Charges levied on new development to pay for expanded municipal infrastructure (sewer, water, drainage, roads, parkland & improvements)
- Parkland Acquisition Charges (LGA s.941)
- Latecomer Agreements (LGA s.939)
- Development Works Agreements (LGA s. 937.1)

Grants

- Unconditional Grants

- Small Community
- Traffic Fine Revenue Sharing

- Conditional Grants

- BC-Canada agreements
- Towns for Tomorrow
- Federal Gas Tax – UBCM – 3 programs
- Community Recreation Program





BORROWING

- A source of funds for capital projects
- Must be done under a bylaw
- Requires approval of the Inspector of Municipalities
- Requires approval of your electorate
- Your municipality has a limit on how much it can borrow

Borrowing - continued

- Municipal Finance Authority
- They are the lender for local governments
- Any long term loans must be through them





Liabilities under Agreement (CC s.175)

- If the liability is for more than 5 years (includes renewal options) there must be approval of the electors
- This includes
 - Operating leases
 - Capital leases
 - Partnering Agreements



EXPENDITURES

- Operating and Capital
- Liabilities under Agreement
- Monitoring and controlling expenditures
- Budget vs. Actual



Assistance

- Municipalities are prohibited from providing assistance to for-profit organizations
- Assistance includes grants, gifts, loans, guarantees, tax exemptions, preferable treatment on property disposition, and other benefits or advantages
- Exceptions to the prohibition:
 - Partnering agreements
 - Heritage conservation
 - Certain types of permissive exemptions
 - E.G. private hospitals licensed under the Hospital Act



Expenditures

- **Mandatory Services**
 - Governance
 - Local roads
 - Policing - population > 5,000
- **Community Choices (CC s.8)**
 - Needs or desires locally determined
 - Water, sewer, fire protection, libraries, etc.
 - Based on willingness to pay



Expenditures (Cont.)

The Rule: All expenditures must be included for that year in the financial plan

Except:

- In an emergency for an expenditure not contemplated for the year in the financial plan.
- Council must establish procedures to:
 - Authorize such emergency expenditures, and
 - Provide for the expenditures to be reported to the council at a regular meeting

Monitor and Control

- When it comes to your expenditures, pay attention during the year to updates from your CFO.
- If something unusual comes up during the year, how are you going to pay for it?





REPORTING

- Annual Audited Financial Statements
 - Council must accept Financial Statements
 - Financial Statements must be sent to Inspector of Municipalities by May 15 (CC s. 167)
- Permissive Tax Exemption Bylaw to be adopted by Oct. 31
- Report annually on council remuneration, expenses & contracts (CC s. 168)
- Annual Report (CC s. 98)



Audited Financial Statements

- Council must appoint an independent auditor
- F/S must be prepared before March 31 of the following year
 - Prepared by Financial Officer
 - Presented in accordance with PSAB for local governments
- New Guidebook on understanding local government financial statements now available



Annual Report

- Prepared before June 30 and presented at a public meeting to citizens
- Report includes:
 - Audited financial statements
 - Statement of permissive tax exemptions
 - A report on municipal services and operations
 - Declaration of disqualifications for members
 - A Progress report containing a statement of objectives and measures for the current and next year

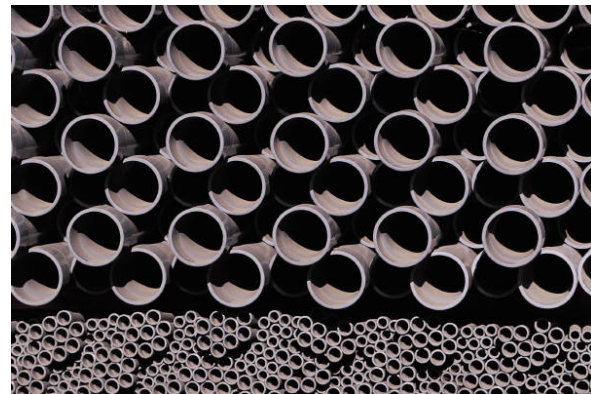


Report on Council Remuneration

- Prepared annually and includes for each council member:
 - Total amount of remuneration paid for performance of duties
 - Total amount of expense payments
 - Total amount of benefits for council members and dependents
 - Disclosure of municipal contracts with council members

INFRASTRUCTURE

- A serious emerging issue is the aging of infrastructure
- There are costs and consequences of choices



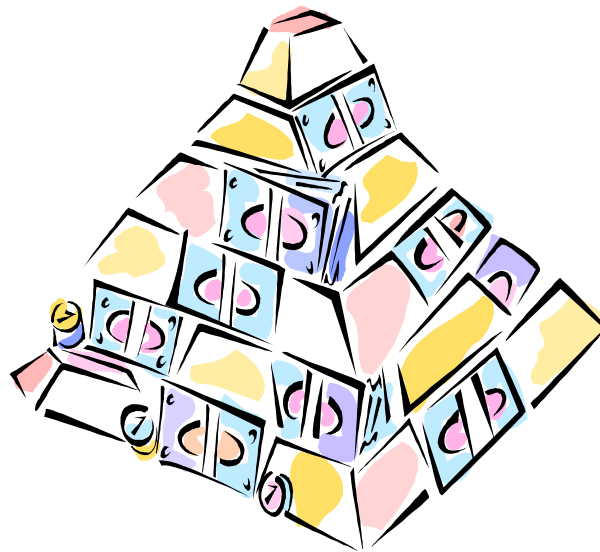
Asset Management

- Your municipal infrastructure is like your home or business
- Decisions you make in your financial plan affects whether it will last or whether it will crumble



The Balancing Act

You have cornerstones on your balanced,
sustainable community.....



If one of them is missing....



RESOURCES

- Guide to Local Government Financial Statements
- For a general subject index
http://www.cscd.gov.bc.ca/lgd/site_index/subjects.htm
- Development Cost Charge Guide for Elected Officials
http://www.cscd.gov.bc.ca/lgd/intergov_relations/library/DCC_Elected_Officials_Guide_2005.pdf
- Development Finance Choices Guide
http://www.cscd.gov.bc.ca/lgd/intergov_relations/library/development_finances_choices00_guide.pdf
- For the Asset Management Guide
<http://www.assetmanagementbc.ca/>



RESOURCES – cont'd

- Infraguide – elearning tools on Asset Management

<http://fcm.ca/home/programs/past-programs/infraguide/e-learning-tools.htm>

- Guide to the Amortization of Tangible Capital Assets
http://www.cscd.gov.bc.ca/lgd/infra/financial_circulars/cir0815.htm

- Revitalization tax exemptions
http://www.cscd.gov.bc.ca/lgd/gov_structure/library/community_charter_revital_tax_exemptions.pdf



Questions?

Thank you