

RD-1 COUNCIL AGENDA REPORT

DATE:	November 20, 2015	COUNCIL MEETING DATE:	December 14, 2015
DEPARTMENT:	Administration		
SUBJECT:	Guiding Principles for Financial Administration – Policy Revision		

PURPOSE:

To incorporate an update to the “Guiding Principles for Financial Administration” policy.

SUMMARY/BACKGROUND:

The Guiding Principles for Financial Administration policy, included with this report as Attachment “A,” has been revised in accordance with a recommendation from the Finance Strategy Committee meeting held October 26, 2015. Additions to the policy are highlighted in yellow.



PAST PRACTICE/PREVIOUS ACTION TAKEN:

The District’s Policy Manual is continually reviewed to ensure it is up to date and effective.

RECOMMENDATION(S):

THAT the report be received for information; or

THAT Council ratify the revisions to “Guiding Principles for Financial Administration” policy, included with this report as Attachment “A,” as per the recommendation of the Finance Strategy Committee meeting held October 26, 2015.

SUBMITTED BY:  Department Head	REVIEWED AND APPROVED FOR SUBMISSION TO COUNCIL BY:  Chief Administrative Officer
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Attachment:

Attachment “A” – Guiding Principles for Financial Administration

District of Chetwynd	Part: Finance	Date: April 16, 2012
POLICY AND PROCEDURE MANUAL	File: 1610.01	Res: 0085/04/12

GUIDING PRINCIPLES FOR FINANCIAL ADMINISTRATION

Self – Liquidation

Efforts should be made to ensure that the Water Fund, Sewer Fund and General Operating Fund are self-liquidating (*pay for themselves*).

5 Year Financial (Capital) Plan

Each year (mid-winter) Council shall participate in a Financial Strategic Planning Process for the purpose of establishing / refining a Five (5) Year Financial Capital Plan, and to set financial direction for the coming 5 year period.

Capital Projects

Staff should make recommendations for Capital Improvements based on known need, pre-design engineering reports and studies, and lawful requirements. Council should set priority for Capital implementation through annual Strategic Financial Planning exercises.

Long Term Borrowing

When growth and new development or catastrophic failure trigger the need for critical infrastructure upgrading or expansion (i.e. third water tower, water treatment plant expansion, sewer treatment plant expansion), long term borrowing should be considered. Benefits will flow to future tax payers and costs should be recouped in that manner.

Capital Project Financing

Wherever possible, major capital projects should be purchased utilizing a variety of funding source options including reserves, grants, partnership with other agencies/local governments and long term borrowing in specific instances.

Revenue Anticipation Borrowing

Revenue anticipation borrowing is considered when District's cash flows do not support operations, and future revenue (*i.e. property tax collection*) is imminent.

Short Term Borrowing

When imperative capital projects fall just outside of the District financial capability, short term capital borrowing should be considered. Partnering with new ventures at little or no new cost should be encouraged.

Rates, Frontage Taxes and Charges

A combination of user rates, frontage taxes and fees should be used to pay for normal operations in water and sewer funds. (*Funds should be managed on self-liquidating basis*).

Service Fees

Service fees (*garbage collection, business licenses, building permits, zoning fees, etc.*) should reflect fair market, value for money and cost recovery principles.

Special Taxes (Specified Areas)

Specified Area Taxation should be considered for projects which benefit a specified or select area, but do not result in community wide benefit. General taxes or Utility funds may be used for that portion of a project deemed to be of community benefit.

Grants

Grants should not be relied upon or allowed to drive expenditure agendas. Rather, grants should be pursued to complete projects which are already 'on the books', and have previously been identified through a Strategic Financial Planning exercise.

Gas Tax

Funds received through Gas Tax or similar initiatives should be used first and foremost to offset capital costs for water and sewer infrastructure improvements and upgrades.

Internal Financing

Occasions may arise that require expenditures beyond normal revenue resources. In exceptional circumstances only and typically through recommendation of staff, Council may consider methods of internal borrowing (*Example: borrowing funds from a revenue account [i.e. Sustainability Reserve] and pay back funds over a very short period of time [i.e. 3-4 years] together with accrued interest*).

Surplus and Reserves

That efforts be made to maintain a surplus of *(at least)* 10% of the preceding years operational budgets in the General, Water and Sewer Fund accounts, and that any funds over and above the 10 % surplus balance be transferred to the respective Funds Reserve accounts. *(Also see current Fund Surplus and Reserve policies).*