



BOARD Policy

Section:	Financial Services	BRD-0340-50
Title:	Financial Sustainability	021

1. PURPOSE

- 1.1 This policy was developed to support the move to financial sustainability for the Sunshine Coast Regional District (SCRD).
- 1.2 Financial sustainability, along with asset stewardship and working together collaboratively are integral components of the Strategic Plan. The SCRD Board has agreed to use these components as a lens to focus through when making decisions and implementing plans.
- 1.3 A proactive strategy is required that will lay the groundwork for the continuance of high-quality services while providing a legacy for future generations. It will position the SCRD to meet financial obligations and take advantage of opportunities that arise. It will also mean that residents and businesses can look forward to stable, equitable and affordable taxation in relation to the services provided.
- 1.4 The adoption of the SCRD's Five-Year Financial Plan is one of the most critical functions undertaken by the SCRD Board to achieve its stated goals. Budgets and service plans shall be developed in a consistent and planned manner. Budgets shall take into consideration the impacts of initiatives on both the current and future years and the SCRD's ability to fund those initiatives.

2. SCOPE

- 2.1 This policy applies to the development, management, and delivery of all SCRD services and programs.

3. DEFINITIONS

- 3.1 "**Sustainability**" means a state in which the needs of the present generation are met without compromising the ability of future generations to meet their own needs.
- 3.2 "**Financial Sustainability**" means the degree to which a government can maintain its existing financial obligations both with respect to its service commitments to the public and financial commitments to creditors, employees, and others, without increasing the debt or tax burden relative to the economy in which it operates.

4. POLICY

- 4.1 Growth Revenues
 - 4.1.1 The Sunshine Coast is a growing community, and all indications are that this will continue. Growth brings in new revenues (both taxation and fees) which must be estimated using the best available data.
 - 4.1.2 Conservative estimates of revenues related to growth will be included in the budget based on information provided by BC Assessment as well as the respective Departments of the SCRD in collaboration with the Corporate Services Department.



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4.2 Fees and Charges

- 4.2.1 Fees and charges are a significant portion of the SCRD's revenues. They must be reviewed on a regular basis to ensure they are set at the appropriate rate and to provide users with adequate notice of any changes.
- 4.2.2 The SCRD's self-financed programs are to be fully funded by user fees and/or parcel taxes including corporate overhead, equipment replacement, debt financing, transfers to reserves and capital expenditures.
- 4.2.3 Fees and charges will be reviewed annually and adjusted where appropriate. Reviews will include an analysis of the SCRD's costs of providing the service, as well as a comparison to other similar local governments.
- 4.2.4 An increase equal to inflation (Consumer Price Index) shall be applied as appropriate.
- 4.2.5 The users will be provided with no less than two months' notice of those changes, where possible.

4.3 Alternative Revenues

- 4.3.1 The SCRD should strive to produce non-traditional revenues and diversify its tax base.
- 4.3.2 All departments will make every effort to access alternative funding sources. New sustainable funding sources can be used to reduce property tax or fee increases, increase service levels and/or provide new services.
- 4.3.3 The SCRD will apply for grant funding for projects only after consideration is given to the full lifecycle costs of the project. When considering grant funding, the SCRD will focus on projects that are already included in the Five-Year Financial Plan, the adopted long-term capital plans, or the Strategic Plan.

4.4 One-time Revenues

- 4.4.1 Using one-time revenues to fund ongoing expenditures results in unfunded expenditure obligations in future years.
- 4.4.2 Operating surpluses and one-time revenues will not be used to fund ongoing expenditures. Major one-time revenues will be applied to:
 - a) Reserves and/or rate stabilization in keeping with levels set by the Board.
 - b) One-time expenditures.
 - c) Repayment of outstanding debt.

4.5 Service Demands Created by a Growing Community

- 4.5.1 Growth creates demands for service. It is important that the demands created by growth be recognized and efforts be made to maintain or improve existing standards.
- 4.5.2 Plans should provide details of the demands for service created by growth and should include options as to how the demands can be met and existing standards be maintained or improved.

4.6 Costs of Existing Services

- 4.6.1 The rising cost of existing services at existing service levels must be recognized.
- 4.6.2 Each year, an inflation factor will be applied to the operating budget as appropriate (e.g., Municipal or Consumer Price Indexes, collective agreements, or utility rate increases).
- 4.6.3 Each budget cycle, the Board will consider the cost of existing services at existing service levels, or reducing service levels, before considering enhancements.

4.7 New Services and Major Enhancements

- 4.7.1 The funding established under Policy Statement 4.6 allows the SCRD to provide the same level of service for the existing tax base. It is not designed to provide for new services or major enhancements to existing services.



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- 4.7.2 New services or enhancements to existing services may be funded by a combination of:
- Reduction in the cost/scope of existing services. This may include a reallocation of resources from one area to another.
 - Increase in other revenues.
 - An increase in other revenue and/or taxes.
 - Ongoing future financial revenues can justify the new service and/or enhancement.
- 4.7.3 The process to establish a new service must include thorough and accurate financial planning to support the Board's decision in determining the viability of establishing a new service.
- 4.8 Demand Management and Efficiencies**
- 4.8.1 The SCRCD does not have the resources to meet all the demands that are made for services. Demand must be managed to make sure that expectations reflect our fiscal reality.
- 4.8.2 Areas where efficiencies or service level changes may be possible will be identified and brought forward to the Board for consideration.
- 4.8.3 Plans will identify demand management strategies and should include options for service level changes and alternative service delivery models.
- 4.8.4 As a sound business practice, departments will strive to find and explore efficiencies throughout the SCRCD's operations.
- 4.8.5 All departments will endeavour to develop partnerships, strategic alliances, and shared project funding to assist in the reduction of expenditures to the SCRCD.
- 4.9 Service Reviews (non-statutory)**
- 4.9.1 A Service Review is a review of an organisation's services designed to identify potential service delivery improvements. A Service Review can be used to improve the organization's efficiency and effectiveness and assist in addressing financial sustainability. Systematically reviewing its services allows the SCRCD to potentially redesign its mix of services to achieve efficiency gains or generate additional income.
- 4.9.2 Options that may be explored under a service review system include such matters as:
- Changing outputs and levels of service.
 - Sharing services and resources.
 - Optimizing the use of existing assets.
 - Alternate delivery of services or activities.
 - Internal operational changes (e.g., processes, work practices and technology).
 - Adding or modifying user fees or charges.
 - Consideration of how the service contributes to overall service equity.
- 4.9.3 The SCRCD will undertake regular reviews (internal and/or external) of its services to find ways to improve service delivery and maximize the benefit to the community while minimizing costs.
- 4.10 Capital Maintenance, Replacement, and Asset Retirement**
- 4.10.1 The SCRCD has substantial value invested in its assets. As the community grows, this investment increases. A plan must be implemented to keep the infrastructure in a proper state of repair to avoid costly failures. The SCRCD also has a legal obligation to responsibly dispose of its various assets and must account as well as develop financial plans to cover these costs.
- 4.10.2 The SCRCD will establish and maintain an inventory of its capital assets. A maintenance/replacement plan will be developed utilizing best practices to keep existing assets in optimum condition. This program will be included in the Five-Year



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Financial Plan and the departmental long-term Capital, Asset Management and Service Plans.

4.10.3 The SCRD will depreciate its assets over their useful lives, and a sustainable funding strategy will be developed.

4.10.4 The SCRD, in accordance with Public Sector Accounting Standards, will account for and establish a plan for the future financial commitment associated with its legal obligation for the retirement of a tangible capital asset.

4.11 Capital Projects

4.11.1 Capital projects and programs are funded from a variety of sources including taxation, grants, debt, and reserves. Once the project or program is completed, its full on-going operation and maintenance costs need to be included in the operating budget, and future upgrade and/or replacement costs need to be included in the Capital Plan. These on-going and future costs must be clearly understood before a capital project is approved.

4.11.2 Each capital project or program submitted for consideration must clearly state its full initial cost, as well as future costs, including operating upgrade/replacement costs, and decommissioning. In addition, the source of sustainable funding for such costs has to be demonstrated.

4.11.3 When proposing capital projects, managers will consider the impact/draw on staff resources to undertake the project. Capital projects may require a change in the operating plan/priorities or additional resources to manage the project. Managers must ensure that staff resources are considered in the budget decisions related to capital projects.

4.11.4 Large-scale capital projects will be budgeted in at least two phases. The first phase is for planning and design, and subsequent phases are for construction and implementation with full life cycle project costs.

4.12 Allocation of Funding for Services

4.12.1 To ensure transparent accounting of the true costs of delivering an SCRD service, clarity on the revenue allocation and cost recovery is necessary. The SCRD, where possible, will work towards the following:

- a) The SCRD considers that revenues generated from user fees, property taxation (ad valorem), operational grants, or other revenues will be allocated to fund the operational costs of a service.
- b) Parcel Taxes, frontage fees, capital grants, or other revenues will be used to fund major capital projects associated with the service. In some cases, capital may be more appropriately funded through property taxation, such as debt servicing costs or minor capital purchases.

4.13 Carry-forward Projects

4.13.1 Some projects may not be completed in the year they are budgeted for. In such instances, funding is "carried forward" in recognition of the fact that the project is still required, and the SCRD must be in a position to complete the project. Nonetheless, there is a need to review carry-forward projects in light of other priorities that may have emerged.

4.13.2 Management will complete a detailed review of carry-forward projects in light of other priorities that may have emerged and include a report to the Board, prior to year-end, with recommendations for including those projects in the following year's budget.



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4.14 Debt Management

- 4.14.1 The SCRDR recognizes that, properly applied, debt can be an affordable and effective source of funding that complements the sustainability of an organization by matching costs to the appropriate taxpayer in the year in which the benefit is received. The SCRDR also recognizes that excessive debt reduces an organization's flexibility and its ability to handle unforeseen challenges. Debt decisions shall balance quality of life and financial considerations.
- 4.14.2 Projects that are to be funded by debt should be submitted to the Board with a business case, including recommendations on how the debt will be serviced.
- 4.14.3 Any debt funding should align with the Board's Debt Management Policy.
- 4.14.4 Reserve Funds and Rate Stabilization
- 4.14.5 The SCRDR strives to develop appropriate reserves with respect to capital assets, landfill closure and post closure costs, employee benefit obligations, asset retirement obligations and other significant future financial obligations. Reserves and Rate Stabilization Funds contribute to the financial stability of SCRDR services.
- 4.14.6 The SCRDR will review all services to identify the appropriate uses and level of reserves and/or rate stabilization funds recommended for each service. Strategies to build reserves will be developed and presented as part of the annual budget process.

- 4.15 This policy shall be reviewed annually. Any changes shall be recommended to the Board for approval.

5. EXCEPTIONS

6. AUTHORITY TO ACT

- 6.1 Directors are to be familiar with this policy and to utilize it as a lens to provide focus when making budget or services decisions.
- 6.2 Staff are to be familiar with this policy and to ensure that it is followed when developing budgets and service options.

7. REFERENCES (Bylaws, Procedures, Guiding documents)

- 7.1 SCRDR Debt Management Policy

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