

# Staff Report



---

To	<b>Committee of the Whole</b>
Service Area	Corporate Services
Date	Tuesday, March 7, 2023
Subject	<b>Revenue Budgeting Policy</b>

---

## Recommendation

That the Revenue Budgeting Policy attached to Report 2023-84 – Revenue Budgeting Policy, be approved.

---

## Executive Summary

### Purpose of Report

The purpose of this report is to provide an overview of the Revenue Budgeting Policy (Policy) and to seek Council approval of the Policy as included in Attachment-1.

### Key Findings

Revenue is a foundational financial driver and having a Policy is considered a best practice according to the Government Finance Officers Association (GFOA).

The Policy documents the City's practices to promote clarity and consistency in the application of revenue through the corporate budgeting process and outlines six key principles:

- If revenue increases, it will be used to offset the cost of the service or program; if revenue exceeds the cost, it will be applied to reduce property taxes in other areas (unless otherwise dictated by regulation or Council policy).
- One-time revenue supports one-time expenses and ongoing revenue supports ongoing expenses.
- If an individual or group receives a benefit from a service that is beyond that which is provided to citizens as a whole, costs will be recovered from the individual or group to whom the services are provided.
- Services provided to citizens as a whole, should be property tax funded.
- Subsidies or discounts should be linked to strategy or policy and should be developed with an equity lens.
- Other users of a service should not cover the cost of subsidies or discounts provided; this is a cost to the community as a whole (property tax funded).

The Policy includes four schedules that provide more specific information for various types of revenue: User Fees, Rates and Charges (Schedule A), Property Taxation Assessment Growth (Schedule B), Grants (Schedule C), and Other Forms of New Revenue (Schedule D).

## Strategic Plan Alignment

The Working Together for our Future strategic plan pillar includes implementing the Long-Term Financial Planning Framework as one of four strategic initiatives, and the Policy is part of this framework. The Long-Term Financial Planning Framework is an input into the maintaining the City's credit rating key performance indicator.

## Financial Implications

There are no financial implications resulting from this report. A strategic and efficient Policy promotes the effective and consistent use of revenue sources.

---

## Report

Revenue is a foundational financial driver and is critical to the success of the City of Guelph reaching its long-term financial outcomes of increased sustainability, reduced vulnerability, and increased flexibility.

The Policy documents the revenue budgeting practices in place and provides direction on how funding sources are approached, allocated and expanded. Having revenue budgeting direction documented in a policy will promote clarity and consistency across the corporation about how specific revenue sources are used to fund related programs and services at Council-approved levels and how revenue is applied through the corporate budgeting process.

The Policy includes general principles that are applicable to a majority of the City's revenue sources and is forward-looking as it provides ways for new revenue sources to be incorporated into the Policy. New schedules relating to specific revenue sources can be added and previous schedules can be modified when changes are necessary.

The City of Guelph does not currently have a policy that documents the principles that are applicable to budgeting for revenue. Many other municipalities in Ontario have revenue policies that provide a guiding philosophy on revenue to ensure clarity, consistency, and sustainability in funding sources. The GFOA considers having a revenue policy a best practice. The attached Policy builds on the pillars of flexibility, sustainability and vulnerability outlined in the [Long-Term Financial Framework](#) to document how the City manages revenue sources. The following key principles are described:

- If revenue increases, it will be used to offset the cost of the service or program; if revenue exceeds the cost, it will be applied to reduce property taxes in other areas (unless otherwise dictated by regulation or Council policy).
- One-time revenue supports one-time expenses and ongoing revenue supports ongoing expenses.
- If an individual or group receives a benefit from a service that is beyond that which is provided to citizens as a whole, costs will be recovered from the individual or group to whom the services are provided.
- Services provided to citizens as a whole, should be property tax funded.
- Subsidies or discounts should be linked to strategy or policy and should be developed with an equity lens.
- Other users of a service should not cover the cost of subsidies or discounts provided; this is a cost to the community as a whole (property tax funded).

There are four schedules included in the Policy that provide more specific information about budgeting for the following types of revenue: User Fees, Rates and Charges (Schedule A), Property Taxation Assessment Growth (Schedule B), Grants (Schedule C), and Other Forms of New Revenue (Schedule D).

### **User Fees, Rates and Charges – Schedule A**

- User fees will be set to recover full cost except when:
  - Council has approved a subsidy or exemption for all or some users; or
  - The goods or services are offered competitively in the open market; or
  - Fee amounts are legislated by a higher order of government.
- This schedule provides a framework for assessing who benefits from the goods or services and provides guidance on cost recovery ratios based on that assessment.
- It also provides guidance for setting User Fees and Charges which includes calculating the full cost, assessing market comparatives (if there is a competitive market for the goods or services), identifying target subsidies based on Council approved strategy or policy, consideration of inflation rates, and other factors.

### **Property Taxation Assessment Growth – Schedule B**

- Assessment growth revenue should fund growth-related services. Funding non-growth-related services with growth revenue artificially decreases the cost of these non-growth services in the near term but will result in tax rate increases related to servicing growth in future years.
- Prescribes the basis for allocating assessment growth revenue among:
  - Local boards and shared services;
  - Infrastructure renewal strategy; and
  - Growth-related operating expenses.
- Provides direction for what to do with actual assessment growth revenue in excess of the amount budgeted, as well as how to manage budgeted assessment growth revenue that is higher or lower than growth-related operating budget requests in any given year.

### **Grants – Schedule C**

- Provides criteria for grants:
  - Must be linked to a specific program or service; and
  - Long-term implications must be assessed (risk to programs/services/community if grant funding is discontinued).
- Prescribes approval thresholds for grant applications.
- Explains how to use grant funding strategically and sets policy on how to reallocate displaced funds.

### **Other Forms of New Revenue – Schedule D**

- Sets policy for budgeting for, collecting, and using the following revenue sources:
  - Fundraising and donations; and
  - Sponsorships and advertising sales.
- The Policy does not cover other policy decisions associated with these revenue types such as in what situations the City may seek out sponsorship or advertising opportunities or how they are valued.

## **Financial Implications**

There are no financial implications resulting from this report. A strategic and efficient revenue budgeting policy promotes the effective and consistent use of revenue sources.

## **Consultations**

Departments across the corporation were consulted in the preparation of this Policy.

## **Attachments**

Attachment-1 Revenue Budgeting Policy

Attachment-2 Staff Presentation

## **Departmental Approval**

None

## **Report Author**

Karen Newland, Manager, Client Services and Budget

## **This report was approved by:**

Shanna O'Dwyer

Acting General Manager, Finance/City Treasurer

Corporate Services

519-822-1260 extension 2300

shanna.odwyer@guelph.ca

## **This report was recommended by:**

Trevor Lee

Deputy Chief Administrative Officer

Corporate Services

519-822-1260 extension 2281

trevor.lee@guelph.ca