

CORPORATE POLICY



Policy Title: **New Revenue Policy**
Policy Category: **Financial Control**
Policy No.: FC-014
Department: Corporate Services
Approval Date: April 14, 2008
Revision Date: January 21, 2019
Author: Brad Witzel
Attachments:
Related Documents/Legislation:

Key Word(s): Revenue

POLICY STATEMENT:

The Council for the City of Waterloo is committed to demonstrating financial leadership and sustainability. This policy assists in formalizing a defined and transparent process for allocating “new revenue.”

PURPOSE:

During any year, opportunities may arise for “new revenue.” The purpose of this policy is to define “new revenue” and recommend an allocation methodology. This policy was created in 2008 in response to the following Notice of Motion.

1. Develop a policy to define “new revenue.”
2. Recommend a process for allocation of any such revenue, providing for discussion by Council prior to any discussion occurring at the staff level.

DEFINITIONS:

Revenue

Based on the Canadian Institute of Chartered Accountants (CICA) Handbook (HB), revenue is defined as the following:

The inflow of cash, receivables, or other consideration arising in the course of the ordinary activities of an enterprise, normally from the sale of goods, the rendering of services, and the use by others of enterprise resources yielding interest, royalties, and dividends. Revenue is net of items such as trade or volume discounts, returns and allowances, claims for damaged goods, and certain excise and sales taxes.

Mandatory Policy, *Municipal Act*: No

Policy Administration Team, Review Date: November 6, 2018

Corporate Management Team, Review Date: November 14, 2018

Excise and sales taxes to be netted against revenue would normally include those imposed at the time of sale and would normally exclude those imposed prior to the time of sale on either the goods or their constituents.

In the municipal setting, our typical sources of revenue are Property taxes, User Fees, and Other Revenues such as Government Grants and Investment Income.

Revenue Recognition

Based on the CICA HB, revenue recognition is defined as the following:

Revenue from sales and service transactions should be recognized when the requirements as to performance....are satisfied, provided that at the time of performance ultimate collection is reasonably assured.

New Revenue

Based on the definitions above, "New Revenue" can be considered those revenues which are over and above the base revenue currently budgeted to be received, which can be reasonably assured of being received.

New Revenue would **include** new "types" of revenue, such as:

1. Additional revenue from Government Grants or Grant Programs
2. Additional revenue from new sources of revenue such as new user fees

In the City of Waterloo, new revenue under this policy would **exclude**:

1. Property tax increases
2. Additional revenue from Assessment Growth
3. Additional revenue from existing User Fees
4. Additional revenue from Investment Income

SCOPE:

This policy applies to all members of the City's organization including members of Council, full, part-time and contract staff.

POLICY COMMUNICATION:

Council will receive this policy for approval. If approved, the policy will be posted on the city's intranet. Staff will be advised of the policy via distribution to the Operational Leadership Team and Corporate Management Team.

POLICY:

Allocation of New Revenue

Currently, there are some Council-approved policies and procedures which allocate new revenue, those being:

1. Excess Assessment Growth
 - a. In general, any amount received in excess of budgeted Assessment Growth will be put in the Budget Contingency to be used for unforeseen expenditures or shortfalls in assessment growth in future years.
 - b. See actual policy for details
2. Assessment Growth
 - a. 10% of assessment growth revenue will be dedicated to the Capital Reserve Fund.
 - b. 30% of assessment growth revenue will be dedicated to the Capital Infrastructure Reinvestment Reserve Fund.
 - c. See actual policy FC-013 Use of Budgeted Assessment Growth Revenue for details.
3. Core Consumer Price Index (CPIX)
 - a. In general, new property tax revenue generated from CPIX is to be used for municipal inflationary increases in the base budget, or other priorities as deemed necessary by Council and/or staff.
4. Government Grants or other funding from other levels of government
 - a. Funding linked to a specific program or service, whether operating or capital, then the funding will be used for that program or service.
 - b. Funding that does not have a specific link to a program or service (all or in part), will be discussed at Council with direction provided to staff.
5. Other revenue
 - a. Any significant increases in other sources of new revenue (\$100,000 or more), direction to staff will be sought from Council.
 - b. For any linked sources of new revenue, such as sponsorship or fundraising revenue, funding will be used as per the linkage to the program.

COMPLIANCE:

In cases of policy violation, the City may investigate and determine appropriate corrective action.