Policy:	7.2.6
Approved By:	Trust Council
Approval Date:	2004-03-10
Amendment Date(s):	2012-12-06; 2013-12-04; 2017-12-05; 2018-09-19
Policy Holder:	Director, Financial and Employee Services

MUNICIPAL TAX REQUISITION CALCULATION

Purpose

To provide guidelines for allocating the Islands Trust annual budget for the purpose of calculating a municipal tax requisition.

A. Definitions

n/a

B. Policy

1. Legislative Framework

1.1 The Islands Trust budget must be developed in accordance with Section 14 of the *Islands Trust Act*:

*"14(1) **On or before March 31** in each year, the trust council must, by bylaw, adopt an annual budget for the trust for the next fiscal year.*

14(2) Subject to subsection (6), a bylaw under subsection (1) has no effect until it is approved by the minister.

14(3) The budget must:

(a) show separately revenues obtained from appropriations, including operating grants and anticipated recoveries from taxes levied under sections 48 and 49, and other sources,

(b) show appropriated surpluses of prior years, and

(c) set out separately the anticipated expenditure relating to:

(i) operations of the trust council and of the executive committee, except the operations of the executive committee acting as a local trust committee under section 23(5),

(ii) general operations of the local trust committees, including the operations of the executive committee acting as a local trust committee under section 23(5) and excluding the operations referred to in subparagraph (iii),

(iii) operations of a local trust committee that are additional operations not included within the general operations of all the local trust committees under subparagraph (ii), and

(iv) administrative operations of the Islands Trust Conservancy board."

1.2 Calculation of the municipal tax requisition must be undertaken in accordance with Sections 47(2)(b) and 47(6) of the *Islands Trust Act*:

*"47(2) **On or before April 25** in each year, the minister may deliver requisitions:*

(b) to each municipality in the trust area in relation to:

(v) the cost of operations of the trust council and the executive committee, except the operations of the executive committee acting as a local trust committee under section 23 (5), and

(vi) the cost of administrative operations of the Islands Trust Conservancy board.

47(6) The amount that is to be recovered by means of requisitions under subsections (2)(a) (i) and (2)(b) must be apportioned between the municipalities and the local trust areas on the basis of the converted value of land and improvements in the trust area."

1.3 Not mentioned in the *Islands Trust Act* are the budgets for Administration. Administrative units in Islands Trust serve other units within Islands Trust. For example, Mapping Services support Local Planning Services (included in Local Trust Committee operations), Trust Area Services (included in Trust Council operations) and the Islands Trust Conservancy (included in Islands Trust Conservancy Board administrative operations). Similarly, Finance, Employee Services, and Information Systems serve all the employees and activities in the Islands Trust. In the detailed budget, and in all financial reporting by Islands Trust, General Administrative expenses are allocated to Trust Council, Local Planning Services and the Islands Trust Conservancy.

2. Islands Trust Financial System

2.1 To achieve the reporting requirements for budgeting purpose, the financial systems used by Islands Trust are organized in two dimensions:

2.1.1 **General Ledger Account Number** – each revenue and expense category has a General Ledger (GL) number associated with it. For example, "Contract Services" has the GL number 56500.

2.1.2 **Location Code** – various operational and political units are assigned Location Codes. For example, Trust Council is Location Code 100.

2.2 When Islands Trust budgets are created, dollar amounts for budgets are recorded in the combination of both the GL Account Number and Location Code. For example, a $5,000 budget for Contract Services for use by Trust Council would be recorded as a budget entry to GL account 56500 and Location Code 100 (i.e., 56500-100).

2.3 The Islands Trust fiscal year runs from April 1 to March 31.

3. Calculation of a Municipal Tax Requisition

3.1 From the approved budget in a fiscal year, a "Municipal Pool" will be calculated to represent the net amount of expenses and revenues that a municipality is responsible for contributing to, as defined in Section 47(2)(b) of the *Islands Trust Act*.

3.2 Once the Municipal Pool is calculated, the amount attributed to a municipality will be calculated in accordance with Section 47(6) of the *Islands Trust Act* and will be based

on the proportion of the Converted Assessed Values of the municipality compared to the total Converted Assessed Values for the entire Islands Trust Area.

4. Calculation of the Municipal Pool

4.1 Budgeted expenses in the approved Islands Trust budget for a fiscal year that will be wholly included (except as noted in 4.2) in the Municipal Pool include:

4.1.1 All Trust Council Expenses (location codes: 100 – Trust Council, 110 – Executive Committee, 150 – Trust Area Services)

4.1.2 All Islands Trust Conservancy expenses (location codes: 210 – Islands Trust Conservancy, 220 – ITC cost recovery for NAPTEP activities)

4.2 Specific expenses embedded in the location codes noted will be excluded from the Municipal Pool include:

4.2.1 Costs for Elections. Rationale – Islands Trust election costs are for local trust committee (LTC) members only and island municipalities bear the costs of their own elections.

4.2.2 Costs for Elected Officials Liability insurance coverage. Rationale – elected officials liability coverage primarily protects trustees for actions that occur while acting on an LTC and the Islands Trust Indemnification Bylaw does not indemnify Municipal Trustees for claims made against them in the course of their municipal duties.

4.2.3 Costs for the operation of the Local Planning Committee. Rationale – the Local Planning Committee advises Trust Council regarding land use planning matters, primarily related to the operations of LTCs.

4.2.4 Costs for the employer Canada Pension Plan (CPP) contribution. Rationale – the trustee remuneration amount paid to island municipality trustees is below the income threshold before CPP deductions are authorized on trustee income. The portion of each trustee's remuneration allocated to the Trust Council budget is the same as the amount paid to island municipality trustees. Therefore, the portion of each trustee's remuneration would not attract any CPP deductions, nor the equivalent employer contribution.

4.2.5 Health and dental benefits are budgeted in the LTC location codes because Municipal Trustees are not eligible for health and dental benefit coverage according to Islands Trust Council Policy 7.2.1 - Trustee Remuneration.

4.3 Budgeted Administration expenses from location codes 810, 820, 825, 830 and 999 in the approved Islands Trust budget for a fiscal year are **allocated to the Municipal Pool at the Administrative Allocation Rate** defined annually in the approved budget as "Total budgeted costs for Trust Council (excluding election costs) plus Islands Trust Conservancy divided by the Total Operational Units expenditure budget". An example illustrating calculation of the Administrative Allocation Rate is included in Appendix C.

4.4 As some budget items in location codes 810, 820, 825, 830, or 999 may serve only parts of the organization instead of the whole organization. These budget items will be examined annually to determine the percentage to be allocated to the Municipal Pool. For example, if a particular budget item in Administration only applied to local planning services, then 0% would be allocated to the Municipal Pool.

4.5 Amortization will only be included in the Municipal Pool when it is included in the Financial Plan as an amount that taxes are requisitioned for. In such years, Amortization Expense will be **included in the Municipal Pool at one-third of the Administrative Allocation Rate** (i.e. 27.3%/3 = 9.1%). Rationale - About one-third of current assets being amortized are acquired under capital leases and, other than a small charge to interest from the capital lease payments, the amortization budget is the only budget line recording the expense of these assets. Other assets are budgeted as operating expenses, and they are only capitalized if they meet the tangible capital asset cost threshold of $5,000. Using the example Administrative Allocation Rate, 9.1% of the Amortization budget will be added to the Municipal Pool.

4.6 When a Contribution to Surplus is budgeted, the treatment regarding the Municipal Pool may vary depending on the purpose of the Contribution to Surplus:

4.6.1 A general Contribution to Surplus that supports the overall operation of the Islands Trust will be added to the Municipal Pool as an expense at the Administrative Allocation Rate.

4.6.2 If a Contribution to Surplus is specifically targeted to an activity that benefits only a portion of the Islands Trust, then the proportion treated as an expense in the Municipal Pool will be determined at the time by mutual agreement between the Treasurers of the Islands Trust and each island municipality.

4.7 Islands Trust Revenues will be examined annually to determine if any should be allocated to the Municipal Pool in order to offset expenses. The calculation of revenues that will be allocated to the Municipal Pool will be based on logic similar to that used to calculate expenses. A list of the various Islands Trust revenue budget lines and how they are treated in contributing to the Municipal Pool are included in Appendix B.

5. Communications

5.1 The Islands Trust Treasurer will estimate the municipal tax requisition for each fiscal year, based on the initial draft of the Islands Trust budget that is reviewed by Trust Council in **December**.

5.2 All documents used by the Islands Trust Treasurer to estimate the municipal tax requisition will be provided to the Treasurer of an island municipality for review **by December 31** of each year, with a request that the island municipality Treasurer submit any concerns about the accuracy and completeness of the municipal tax requisition calculation **by February 28** of the following year.

5.3 During its consideration of its annual budget **in March** of each year, the Islands Trust Council will be provided with any responses received from island municipality Treasurers in regards to the accuracy and completeness of the municipal tax requisition calculation.

5.4 This policy will be attached to the Islands Trust Council – Bowen Island Municipality Protocol Agreement.

6. Policy Amendment

6.1 This policy will be effective upon adoption and will not be applied retroactively.

6.2 Any changes to the policy will be effective upon adoption and will not be applied retroactively to any prior fiscal years.

C. Legislated References

1. *Islands Trust Act*, Sections.14, 23(5), 27(2)(b), 47(6)
2. Islands Trust Council Policy 7.2.1 – Trustee Remuneration

D. Attachments/Links to Supporting Forms, Documents, Websites, Related Policies and Procedures

Appendix A – List of Islands Trust Financial System Location Codes
Appendix B - Revenue Budget Lines Categorized for Municipal Pool Calculations
Appendix C - Example Calculation of the Administrative Allocation Rate

Bowen Island Municipality Protocol Agreement

APPENDIX A

The following is a list of the Location Codes in the Islands Trust financial system with each location defined in terms of how it would be described in the *Islands Trust Act*, section 14(3)(c), or as Islands Trust Administration.

Location Description	**Location Code**	**Description of how Location Code fits into Budget Section in *Islands Trust Act***
Trust Council	100	"operations of Trust Council and Executive Committee"
Executive Committee	110	"operations of Trust Council and Executive Committee"
Trust Area Services	150	"operations of Trust Council and Executive Committee"
Islands Trust Conservancy	210	"administrative operations of the Islands Trust Conservancy Board"
ITC - recovery	220	"administrative operations of the Islands Trust Conservancy Board"
Victoria planning office	510	"general operations of the Local Trust Committees"
Ganges planning office	520	"general operations of the Local Trust Committees"
Gabriola planning office	530	"general operations of the Local Trust Committees"
Bylaw Enforcement	580	"general operations of the Local Trust Committees"
Director of LPS	590	"general operations of the Local Trust Committees"
Executive Islands	610	"general operations of the Local Trust Committees"
Denman	615	"general operations of the Local Trust Committees"
Gabriola	620	"general operations of the Local Trust Committees"
Galiano	625	"general operations of the Local Trust Committees"
Gambier	630	"general operations of the Local Trust Committees"
Hornby	635	"general operations of the Local Trust Committees"
Lasqueti	640	"general operations of the Local Trust Committees"
Mayne	645	"general operations of the Local Trust Committees"
N. Pender	650	"general operations of the Local Trust Committees"
Salt Spring	655	"general operations of the Local Trust Committees"

Saturna	660	"general operations of the Local Trust Committees"
S. Pender	665	"general operations of the Local Trust Committees"
Thetis	670	"general operations of the Local Trust Committees"
Exec on LTCs	675	“operations of the executive committee acting as a local trust committee”; this location code also includes costs for the Executive Committee members serving as chairs of local trust committees (travel costs plus 50% Executive remuneration)
Victoria Admin office	810	Administration
Chief Admin Officer	820	Administration
Information Systems	825	Administration
Finance/HR	830	Administration
Trust-wide general	999	Administration

APPENDIX B: Revenue Budget Lines Categorized for Municipal Pool Calculations

Revenue Category	Municipal Pool Treatment	Rationale
Fees & Sales (e.g. Development application fee; sales of OCP maps)	Excluded	Fees and Sales relate solely to activities of the Local Trust Committees, whose activities are excluded from the municipal tax requisition calculation.
Provincial Grant (general Regional District grants or Strategic Community Investment grants)	Included in the Municipal Pool	Provincial funding is for the whole organization, including Local Planning Services. Using the Administrative Allocation Rate would reflect the ratio attributed to Trust Council and Islands Trust Conservancy.
Property Taxes	Excluded	Property taxes are collected from the non-municipal Local Trust Areas.
Municipal Tax Levy	Excluded	This policy addresses the calculation of the municipal tax levies.
Special tax levies on individual Local Trust Areas	Excluded	Special tax levies relate solely to activities of the Local Trust Committees, whose activities are excluded from the municipal tax requisition calculation.
Appropriations from Surplus	Appropriations specifically identified for Trust Council, Trust Area Services or Islands Trust Conservancy are **included at 100%** of the appropriation amount. Appropriations specifically identified for Local Trust	100% of expenses for the same operational units are included in the Municipal Pool.

Revenue Category	Municipal Pool Treatment	Rationale
	Committees or Local Planning Services are **excluded**. Appropriations specifically identified for Administrative Services, or general appropriations to reduce property taxes are **included in the Municipal Pool at the Administrative Allocation Rate**	Activities relating to Local Trust Committees or Local Planning Services are excluded from the Municipal Pool. Expenses for Administrative Services are allocated to the Municipal Pool at the same percentage. Non-specific appropriations are allocated to the Municipal Pool at the same rate as Administrative expenses which are also non-specific to a particular operational unit.
Interest income	**Included at the percentage** defined by the **Administrative Allocation Rate.**	Administrative revenue is allocated to the Municipal Pool at the same rate as Administrative expenses.
Income from grants	Grant income specifically identified for Trust Council, Trust Area Services or Islands Trust Conservancy are **included at 100%** of the budgeted revenue amount. Grant income specifically identified for Local Trust Committees or Local Planning Services are **excluded**. Grant income specifically identified for Administrative Services, are **included in the Municipal Pool at the Administrative Allocation Rate**.	Expenses for these operational units are 100% included in the Municipal Pool. Expenses for these operational units are excluded from the Municipal Pool. Expenses for Administrative Services are included in the Municipal Pool at the Administrative Allocation Rate.
Miscellaneous income	Treated the same as general grant income.	

Revenue Category	Municipal Pool Treatment	Rationale
Other Income – NAPTEP, ITC cost recovery	If budgeted, then 100% included in the Municipal Pool.	Islands Trust Conservancy costs are 100% allocated to the Municipal Pool. (**Note**: normally income in this category does not contain a revenue budget. The category is used to isolate fees from NAPTEP applications once the funds are received.)

APPENDIX C: Example Calculation of the Administrative Allocation Rate

$ Millions	
$ 1.0	Trust Council budget
0.5	Islands Trust Conservancy budget
$ 1.5	Sub-total for Trust Council and Islands Trust Conservancy
4.0	Local Planning Services budget
$ 5.5	Total Operational Units expenditure budget
1.5	Administrative Services budget
$ 7.0	Total Expenditure Budget

The **Administrative Allocation Rate** in this example is $1.5/$5.5 = 27.3%