The Township of Mapleton

Long Term Financial Planning Strategy

Contents

Background

To withstand the financial pressures on services and programs, we have refreshed our Long-Term Financial Planning Strategy to ensure Mapleton remains financially sustainable and is able to manage and mitigate risks impacting our fiscal health.

As a financial lens to be applied to planning, the Strategy supports Term of Council priorities, its strategic objectives, and critical initiatives across the Township.

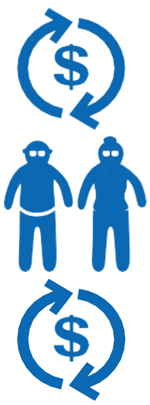
The Township of Mapleton provides community and infrastructure services to 11,840 citizens in Alma, Drayton, Moorefield and surrounding rural areas. In 2021, the Township of Mapleton was ranked as one of Canada's Best Communities to live. From festivals, food and furniture to culture, crafts, and community. It is imperative that the Township plan and attain desired service levels, manage risks, and provide for long-term sustainability. The Township works closely with its local municipal partners and various levels of government to ensure services are delivered effectively.

The Long-Term Financial Planning Strategy provides a consistent lens to help evaluate the long- term financial impact of proposed changes to services and service levels to the community.

Introduction to the Long-Term Financial Planning Strategy

Since 2020, the Township of Mapleton has been guiding its policy decisions based on fundamentals set out in its Long-Term Financial Planning Strategy. The purpose of the Strategy is to ensure the long-term financial sustainability of Township services.

The Township of Mapleton is facing several challenges.



- **Population growth (The Township's population is expected to increase 27% over the next 20-years)**
- **Aging infrastructure currently valued at almost $435 million and growing;**
- **Adverse effects of climate change and changing weather patterns;**
- **Employment growth and additional lands to accommodate that growth;**
- **Constantly evolving legislation and regulatory environment**
- **Rapidly changing technology which impacts how the Township connects with residents and delivers services.**

These challenges are poised to place increased financial pressures on the Township to continue delivering its targeted outcomes and maintain desired service levels. With this in mind, the Long-Term Financial Planning Strategy is about the fundamental principles of the Strategy, and its performance and application, to ensure that it reflects the current and foreseeable economic realities of the Township.

The Strategy and its underlying pillars and principles have served the Township well over the years. Amendments have been made to align the Strategy with the current Strategic Plan, the changing trends affecting the Township, and the changing needs of its residents and businesses.

To help maintain the Township's financial health, updates to the Strategy considered the current challenges faced by the Township and lessons learned from impacted stakeholders. The updates reinforce a proactive approach to financial management, increasing the understanding of the impact of decisions made by the Township and have the foresight to prepare for the impacts of external influences, so that planning for programs, services and financial needs can be done accordingly.

LTFPS Purpose and Outcome

The Strategy is intended to serve as a guide in developing financial plans, budgets, and service strategies that optimally balance target outcomes with fiscal prudence. The Strategy is a financial lens that is applied in undertaking a disciplined approach to managing risk and preparing for the future.

Purpose

To guide fiscally responsible, evidence-driven decision making and ensure long- term financial sustainability of Township service outcomes to best serve the residents and businesses in Mapleton.

Outcome

Township services are financially sustainable.

Pillars of the Strategy

The Long-Term Financial Planning Strategy is founded on balancing the following three pillars.

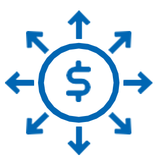
Each of the pillars is defined below:

1. Financial Sustainability:

The Township's ability to provide and maintain planned service levels and infrastructure assets without unplanned increases in rates or disruptive cuts to services.

2. Financial Vulnerability:

The degree to which the Township is dependent on external funding sources that it cannot control; it is the level of risk that could impact the ability to meet existing financial obligations and commitments, including the delivery of Regional services.

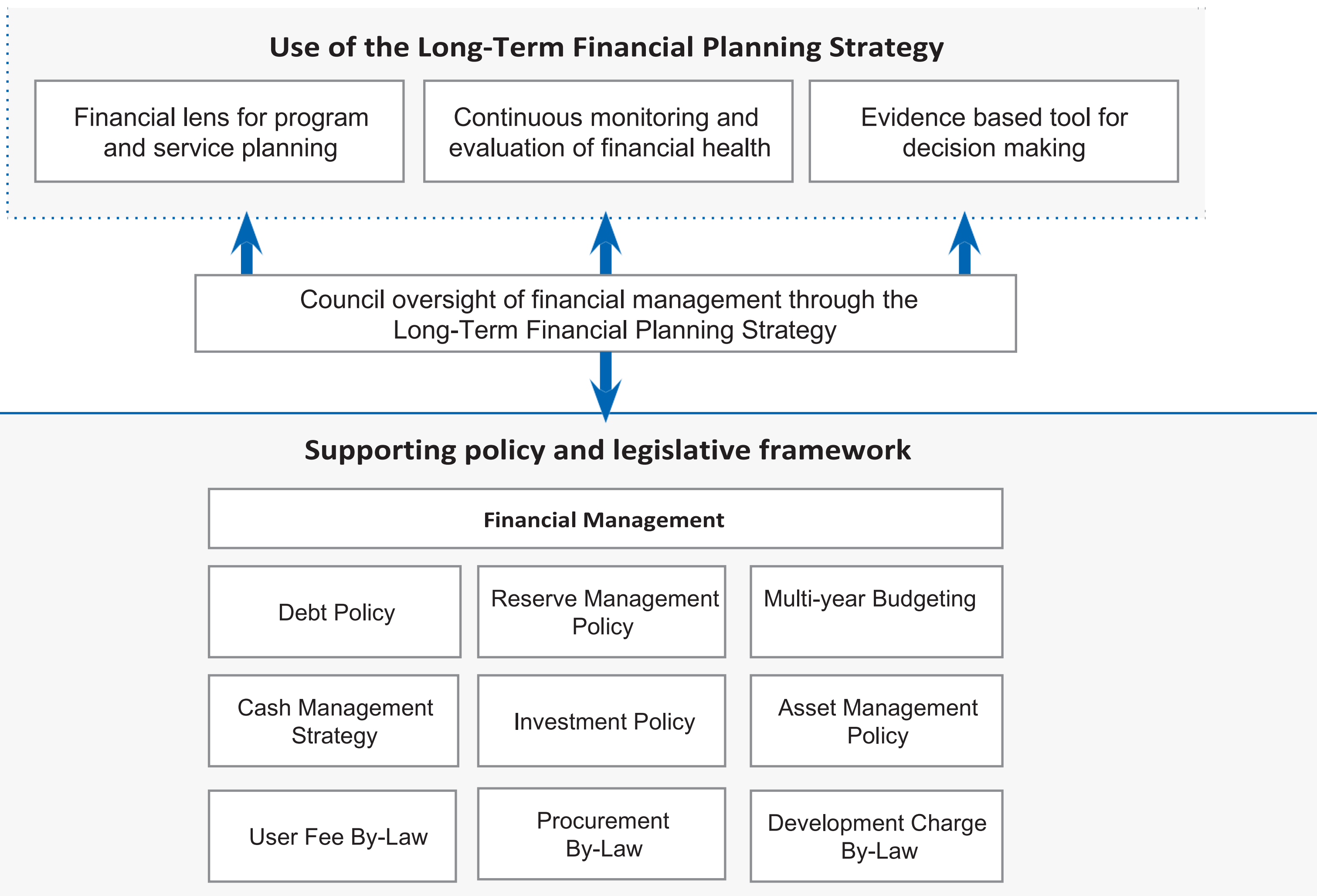


3. Financial Flexibility:

The Township's ability to change either debt levels or taxes and utility rates to meet financial obligations and ensure intergenerational equity.

How the Strategy Guides the Financial Policy Framework

The Strategy guides the Township's financial by-laws and policies to ensure a holistic and integrated fiscal management approach. The table below provides an overview of the framework.



The Strategy, policies, by-laws, and financial tools will continue to enhance Township Council's ability to make decisions on policies, services, and service levels by:

- Providing the long-term financial impact of these decisions;
- Identifying emerging risks and trends earlier; and
- Understanding how and when decisions and/or events may change the Township's financial condition.

Financial Principles of the Strategy

Strategy is built on nine financial principles, grouped under one of the three financial pillars. Each principle governs a specific financial aspect, and the principles collectively address how the Township manages its fiscal health. No attempt should be made to prioritize the principles, but instead, they should be used in an integrated fashion to achieve a balance amongst the financial pillars. These principles guide Council and staff when making decisions related to service and program planning. Long- term, short-term, in-year planning and ad-hoc decisions will be evaluated on financial terms to ensure adherence to these principles. The following is a detailed description of each financial principle:

Financial Sustainability

Respect the tax payer – Achieve reasonable and responsible tax rates to ensure that Council's highest priority services are maintained. The Township will strive to deliver its desired service outcomes without placing undue financial pressures on its tax payers.

Ensure the Capital Plan is sustainable – Capital reserves and reserve funds are funded to levels to enable the Capital Plan. Capital expenditures should be continually reviewed in the context of affordability, and the operating impact of capital should be sustainable and affordable.

Manage assets – Replace or maintain assets over their lifecycle in a timely manner to enable service delivery.

Deliver value for money – Continuously find efficiency and quality improvements to manage and deliver services.

Financial Vulnerability

Users pay where appropriate – Ensure that the users of services pay for the services, and balance growth-related investments with revenue to achieve intergenerational equity where possible.

Work with local municipalities to manage growth and support economic viability of the community – Work together with local municipalities to ensure that the Township continues to be a desirable area to live, work, and play.

Make responsible investments – Maintain an investment portfolio that balances the safety of principal and maintenance of liquidity while striving to obtain returns that benefit residents and businesses.

Financial Flexibility

Mitigate significant fluctuations in tax and utility rates – Implement ways to smooth and maintain tax and utility rates to provide financially stable and predictable environments for residents and businesses.

Borrow when appropriate for capital infrastructure – Maintain an affordable level of debt required to achieve desired service levels while minimizing the impact of borrowing to the tax payer and ensuring intergenerational equity.

Implementation and Integration of the Strategy

The Township employs an Integrated Planning Framework for the development of long and short terms plans. As illustrated strategic planning is enabled through the Township's 20-year official plan and supplemented each term of Council by that Council's priorities. Service Plans or master plans with a 5-to-10-year horizon, are intended to establish the level of service that should or could be achieved. The Township's 3-year operational budgets and 10-year capital budgets is the planning horizon used by the Township for its long and short-term planning.

Strategy will be used to inform all plans and policies developed by the Township so that decisions include a financial impact evaluation. This will ensure that to the extent possible only plans that adhere to the Strategy's principles will be considered.

The Township of Mapleton has adopted policies and strategies across various domains as it developed its Long-Term Financial Planning, examples are:

- Multi-year budgeting with 3-year operating budgets and 10-year capital budgets;
- Reserve and Reserve fund levels and debt strategies in the context of affordability and intergenerational equity;
- Asset management policy with associated development in conditional assessment review, needed for infrastructure sustainability and for capital project planning;
- Review of services to ensure that users of the services pay for the service;
- Working with neighbouring municipalities to explore shared services so that the Township is a desirable area to live, work and play; and
- Cash management strategies that actively manage its portfolio to optimize investment returns and debt efficiently to provide greater flexibility while minimizing borrowing costs.

Monitoring andReporting

Monitoring and reporting are critical elements of the execution of a strategy. Long-term financial health is achieved when the financial pillars are balanced. Performance indicators allow the Township to track the extent to which these pillars are in balance.

The indicators and their respective targets reflect the changing economic, political, and demographic climate in the Township. In-year monitoring and reporting will measure the performance of implementing the Strategy, identify risks and corrective actions as required.

Pillar 1: Financial Sustainability

The Township's ability to provide and maintain planned service levels and infrastructure assets without unplanned increases in rates or disruptive cuts to services.

Principle	Indicator	Description	Target
• Respect the taxpayer. • Ensure the Capital Plan is sustainable. • Manage assets. • Deliver value for money	Tax rate increase	Measures if the tax rate increases are reasonable for residents.	CPI index
	Annual Surplus as a % of Own Source Revenue	Measures the annual surplus calculated on an accrual basis indicating that Taxpayers is fully paying for the cost of services	>15%
	Net Financial Assets as a % of Own Source Revenue	Measures the extent to which financial liabilities could be meet by sources of revenue within the Township's control	>50%
	Asset Consumption Ratio	Measures closing Amortization Balance as a % of Total Cost of Capital Assets or the extent to which the assets have been consumed	<=50%

Respect the taxpayer

Manage assets

Ensure the Capital Plan is sustainable

Deliver value for money

Pillar 2: Financial Vulnerability

The degree to which the Township is dependent on external funding sources that it cannot control; it is the level of risk that could impact the ability to meet existing financial obligations and commitments, including the delivery of Township services.

Principle	Indicator	Description	Target
• Users pay where appropriate. • Work with local municipalities to manage growth and support economic viability of the community. • Make responsible investments	Reduction in growth related risk	Measures the amount of debt risk that has been mitigated through revenue or expenditure management.	Increasing
	Reliance on external funding	Measures external funding and grants as a percentage of the Township total expenses. A lower percentage implies that the Township is less reliant on external funds (e.g. provincial and federal grants and transfers) and is able to manage its operations through its own source revenue thereby reducing its vulnerability to the unpredictable nature of these external funds.	20%
	Proportion of non-residential tax revenue	Measures property tax revenues from the Industrial, Commercial, and Institutional sector as a % of the total operating tax revenue. A decreasing percentage will cause a shift in taxes to the residential sector.	20%-25%
	Investment returns	Measures the earned income on the General Fund Portfolio generated through investing activities. The goal is to meet or exceed the "target return" in order to improve Reserves and Reserve Funds.	CPI

Users pay where appropriate

Work with local municipalities to manage growth & support economic viability of community

Make responsible investments

Pillar 3: Financial Flexibility

The Township’s ability to change either debt levels or taxes and utility rates to meet financial obligations and ensure intergenerational equity.

Principle	Indicator	Description	Target
• Mitigate significant fluctuations in tax and utility rates. • Borrow when appropriate for capital infrastructure	Debt capacity	Measures the ratio of net Township debt charges to own-source revenue. A lower ratio implies lesser risk for the Township.	<25%
	Reserves as a % of Municipal Expenses	Measures how much money has been set aside for future needs and contingencies .	>100%
	Tax Receivables as a % of Total Taxes Levied	Measures the indirect impact that the external economy may be impacting the ability of taxpayers to pay the taxes	<=10%

Mitigate significant fluctuations in tax & utility rates

Borrow when appropriate for capital infrastructure

These indicators and their targets will not be static and will be reviewed and revised as needed to ensure the indicators provide proactive measures of the Township’s fiscal health. Events including, but not limited to, change in Term of Council priorities, socio-economic or political risks, changes to external funding may trigger a review of the Long-Term Financial Planning Strategy to assess the validity of these indicators. This may lead to indicators or targets being added, removed, or modified as required to ensure they provide an accurate representation of the financial health of the Township.