Long Term Financial Planning Strategy

2020-2023

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Long Term Financial Planning Overview

The purpose for developing a Long Term Financial Planning Strategy is to help ensure that the Township can withstand the financial pressures that services and programs place upon its citizens. Its overall purpose is to help guide Council to make fiscally responsible, evidence-driven decisions that will promote both short term and long term outcomes that best serve the residents and businesses of the Township.

The strategy of sustainability is guided by a set of nine financial principles that support the pillars of financial resiliency (financial sustainability, financial vulnerability, and financial flexibility).

Financial Pillars	Financial Principles		Indicators
Financial Sustainability	Respect the tax payer Manage Assets	Ensure the Capital Pan is sustainable Deliver value for money	• Tax rate increases • Capital Reserves as a % of the 10 Year Capital Plan (**tax and utility rates**)
Financial Vulnerability	Users pay where appropriate Make responsible investments	Work with local municipalities to manage growth and support economic viability of the community	• Reduction in growth related risk • Reliance on external funding • Proportion of non-residential tax revenue • Investment returns
Financial Flexibility	Mitigate significant fluctuations in tax and utility rates	Borrow when appropriate for capital infrastructure	• Debt capacity • Asset consumption

Financial Principles of the Strategy

The 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 should 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 taxpayer – 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 taxpayers.

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 area municipalities to manage growth and support economic viability of the community – Work together with area municipalities to ensure that the Township is 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.

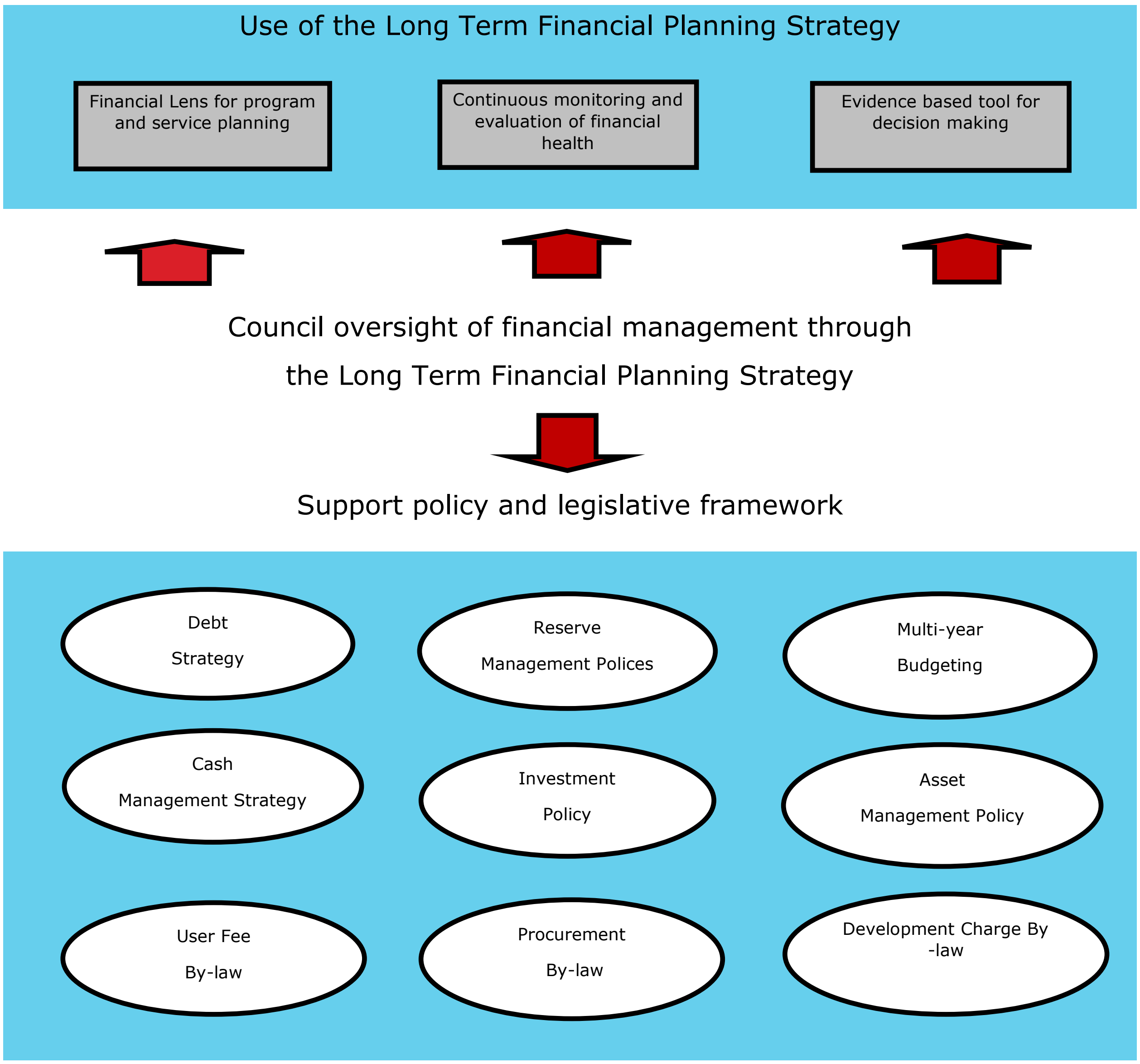
Financial Flexibility

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 taxpayer and ensuring intergenerational equity.

How the Strategy Guides

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



The Strategy, policies, by-laws and financial tools enhances the Township's ability to make decisions on policies, services and service levels by:

1. Providing the long-term financial impact of theses decisions;
2. Identifying emerging risks and trends earlier; and
3. Understanding how and when decisions and/or events may change financial conditions.

Implementation and Integration of the Strategy

The Township employs an integrated planning framework for the development of long and short term 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.

The 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 and Reporting

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.

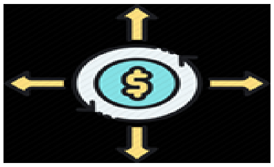
The indicators and respective targets reflect the changing economic, political and demographic climate of the Township. In-year monitoring and reporting will measure the performance of implementing the Strategy, identify risks and corrective actions as required.

Financial Sustainability is the Township ability to provide service levels and infrastructure assets without unplanned increases in rates or disruptive cuts to services

Principles	Indicators	Description	Target
• Respect the taxpayer • Ensure the Capital Plan is sustainable • Manage assets • Deliver value for money	Tax rate increases Or Utility rate increases	Measure if the tax rate or utility rate are reasonable for residents Can Council justify the rate increases given other indicators?	Not less than the CPI index
	Capital reserves as a % of 10-Year Capital Pan (tax & utility rate)	Identifies if financing the asset portfolio is sustainable through sufficient tax & rate supported reserves. A higher percentage implies higher adequacy of capital reserves to fund the capital plan	100%

Financial Vulnerability is the degree to which 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 services.

Principles	Indicators	Description	Target
• User pay where appropriate • Work with area municipalities to manage growth & support economic viability of the community • Make responsible invest-ments	Reduction in growth related risk	Measure the amount of debt risk that has been mitigated through revenue or expenditure management (e.g. User pay fees)	Increasing
	Reliance on external funding	Measure external funding & grants as a percentage of the Township's total revenue. 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 operations through it own source of revenue there-by reducing it vulnerability to the unpredictable nature of these external funds	TDB
	Proportion of non-residential tax revenue	Measure property tax revenue from the Industrial, Commer-cial sector as a % of total operating tax revenue. A decreasing % will cause a shift in taxes to the residential sector	20%-25%
	Investment returns	Measure the earned income on the investment portfolio generated through investing activities. The goal is to meet or exceed the "target return" in order to improve Reserves and Reserve Funds	Above inflation



Financial Flexibility is the Township’s ability to change debt levels or taxes and utility rates to meet financial obligations and ensure intergenerational equity.

Principles	Indicators	Description	Target
• Mitigate significant fluctuations in tax and utility rates • Borrow when appropriate for capital infrastructure	Debt capacity	Measure the ratio of net debt charges to own-source revenue. A lower ratio implies lessor risk.	< 10% Or Moderate risk per FIR
	Asset Consumption Ratio	Measure of closing amortization balance as a % of total cost of capital assets. This indicates how much of the assets life expectancy has been consumed	<50%
	Liquidity	Measure of annual surplus / deficit as a % of own revenue This indicates the ability to cover operational cost and funds available for other purposes	15%

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 Financing 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.