Municipal Long-term Financial Plan

Final Version

September 14th, 2020

Corporation de la ville de / of the Town of HAWKESBURY

Executive Summary

INTRODUCTION

This financial report was prepared to develop a long term financial plan that will review and assess long term financial objectives and policies, review existing financial targets and measures, and develop forecasting strategies to demonstrate the overall impact of current and future decisions over a five-year time horizon.

OBJECTIVES

The primary objective of this financial plan is to assess the Town's current financial position and develop a long-term overview of forecasted revenues, operating expenses and capital expenditures, in order to enhance its financial position and work toward a sustainability of its long-term assets to ensure that the Town can deliver its expected level of services to its citizen. This is achieved by:

- Assessing the Town's financial position, through key financial performance indicators established by the industry;
- Analysing capital assets repair and replacement requirements for the period of 2021 to 2025 and the financing requirement associated.
- Reviewing existing reserves and reserve funds status and determining future requirements.
- Reviewing existing long-term debts and future opportunities to utilize them as a financing option.
- Preparing a financial model

Summary of Current Financial Position

Corporation de la ville de / of the Town of HAWKESBURY

CURRENT FINANCIAL PERFORMANCE AND POSITION

Financial indicators are a tool to assess how the Town's financial performance compares against the long term financial plan. The Town's financial statements are prepared in accordance with the *CPA Canada Public Sector Accounting Handbook*, which describes the particularities of financial performance and accountability for Public Sector Entities. The financial statements includes:

- The **Statement of Financial Position**, which summarizes the Town's financial position at a definite point in time (December 31st). This statement reflect all the changes from the other statements, such as the Statement of Operations, the Statement of Cash Flow and the Statement of Change in Net Debt. Key financial indicators from this statement includes:

    - <u>Net financial assets or debt</u>: Unique to public sector entities, this indicator represent the difference between the Town's financial assets and liabilities at a definite point in time (December 31st). It is an excellent performance measure regarding an entity's requirement to generate future revenues to fund past services and transactions. Financial assets represent the resources available to settle its liabilities. An entity is in a net debt position when the liabilities exceed financial assets. Therefore, it must generate future revenues to cover the cost of past transactions and events.

    - <u>Non-financial asset</u>: They are assets used when providing future services to the public, usually composed of Tangible Capital Assets, like buildings or roads. These assets are presented separately since they are not normally used to settle liabilities. These assets are amortized through the Statement of Operations, indicating the used portion of its expected useful life. The remaining value represent the remaining service potential of the non-financial assets.

    - <u>Accumulated surplus or deficit</u>: The net recognized economic resources (all assets minus all liabilities) of an entity at the specific date (December 31st) of the financial statements. This performance measure provides the net economic position of an entity from all years operations at that time. It is comprised of all of the past operating surpluses or deficits and remeasurement gains and losses. An accumulated surplus position is represented by net positive resources, which can be used to provide future services. However, an accumulated deficit position means that an entity must fund past transactions and events with future revenues.

Corporation de la ville de / of the Town of HAWKESBURY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2015	2016	2017	2018	2019
Assets					
Financial assets					
Cash	$ 877,135	$ 4,673,588	$ 3,629,894	$ 6,863,737	$ 7,648,462
Taxes receivable	1,283,430	1,461,101	1,399,948	1,140,895	1,275,947
User fees receivable	1,281,749	1,293,053	1,282,221	1,335,950	1,304,472
Accounts receivable	3,176,534	1,691,736	1,826,919	2,310,087	1,629,905
Investments	3,991,887	4,463,131	5,200,307	5,132,144	5,339,947
	$ 10,610,735	$ 13,582,609	$ 13,339,289	$ 16,782,813	$ 17,198,733
Liabilities					
Accounts payables and accruals	$ 2,270,935	$ 2,534,116	$ 2,493,074	$ 3,031,493	$ 2,697,138
Deferred revenues	1,293,379	1,270,648	1,527,217	1,520,871	1,345,301
Future employee benefits	638,447	660,642	618,346	562,643	477,038
Long-term Debts	16,806,407	17,559,914	17,299,690	18,491,654	17,247,889
	$ 21,009,168	$ 22,025,320	$ 21,938,327	$ 23,606,661	$ 21,767,366
Net Debt	**$ (10,398,433)**	**$ (8,442,711)**	**$ (8,599,038)**	**$ (6,823,848)**	**$ (4,568,633)**
Non-financial assets					
Tangible capital assets	$ 95,532,123	$ 94,336,253	$ 94,134,470	$ 96,542,726	$ 96,313,588
Land available for sale	-	-	-	103,713	554,961
Inventories	139,630	88,707	100,931	117,114	188,199
Prepaid expenses	164,543	166,220	148,371	181,712	237,232
	$ 95,836,296	$ 94,591,180	$ 94,383,772	$ 96,945,265	$ 97,293,980
Accumulated surplus	**$ 85,437,863**	**$ 86,148,469**	**$ 85,784,734**	**$ 90,121,417**	**$ 92,725,347**

Corporation de la ville de / of the Town of HAWKESBURY

CONSOLIDATED ACCUMULATED SURPLUS

	2015	2016	2017	2018	2019
Reserves	$ 4,494,862	$ 5,114,559	$ 5,595,988	$ 6,408,083	$ 8,223,007
Reserves funds	$ 221,819	$ 223,175	$ 224,890	$ 227,913	$ 50,454
Operating surplus / (deficit)					
Town	$ 927,185	$ 305,137	$ 47,421	$ 37,680	$ 251,892
Library	$ (21,582)	$ (10,383)	$ 4,194	$ 27,711	$ 26,012
Waterworks	$ 99,355	$ 29,996	$ 12,647	$ 29,461	$ 123,144
Wastewaters	$ 487,373	$ 30,393	$ 61,966	$ 77,412	$ 116,244
Waste collection	$ (6,999)	$ 2,717	$ -	$ 1,410	$ 1,448
BIA	$ 70,571	$ 85,786	$ 89,536	$ 47,866	$ 49,893
HCISPA	$ (1,938)	$ 491,874	$ 123,120	$ 1,274,169	$ 1,024,236
	$ 1,553,965	$ 935,520	$ 338,884	$ 1,495,709	$ 1,592,869
Invested in tangible capital assets	$ 78,725,716	$ 76,776,339	$ 76,834,780	$ 78,051,072	$ 79,065,699
Unfinanced tangible capital assets	$ (3,180,243)	$ (419,156)	$ (659,417)	$ (419,594)	$ (765,394)
Unfinanced future employee benefits	$ (290,054)	$ (312,899)	$ (247,480)	$ (263,910)	$ (230,081)
Unfinanced operations	$ (80,089)	$ (544,358)	$ (953,098)	$ (10,000)	$ -
Investments	$ 3,991,887	$ 4,375,289	$ 4,650,187	$ 4,632,144	$ 4,788,793
	$ 79,167,217	$ 79,875,215	$ 79,624,972	$ 81,989,712	$ 82,859,017
Accumulated surplus	**$ 85,437,863**	**$ 86,148,469**	**$ 85,784,734**	**$ 90,121,417**	**$ 92,725,347**

CURRENT FINANCIAL PERFORMANCE AND POSITION

The Ministry of Municipal Affairs and Housing also establishes key financial indicators, in relation to established provincial threshold, to measure each municipality's financial performance. The financial indicators are separated in two main categories:

- **Sustainability:** the degree to which the Municipality can deliver services and meet its financial commitments without increasing its debt or tax burden relative to the economy in which it operates. Key indicators:
    - *Total Taxes Receivable less Allowance for Uncollectibles as a % of Total Taxes Levied:* Shows how much of the taxes billed are not collected. In the context of the Town's perspective, these uncollectibles amounts represents almost entirely tax cancellation, reduction or refund under articles 354 to 357 of the Municipal Act, 2001, rebates for charities or vacant units.
    - *Net Financial Assets or Net Debt as % of Own Source Revenues:* Indicates how much property tax and user fee revenue is servicing debt.
    - *Total Reserves and Discretionary Reserve Funds as a % of Municipal Expenses:* Indicates how much money is set aside for future needs and contingencies.
    - *Cash Ratio (Total Cash and Cash Equivalents as a % of Current Liabilities):* Indicates how much cash and liquid investments could be available to cover current obligations.

- **Flexibility**: the Municipality's ability to increase its available sources o funding (debt, taxes, or user fees) to meet increasing costs. Key indicators:
    - *Debt Servicing Cost as a % of Total Revenues (Less Donated TCAs):* Indicates how much of each dollar raised in revenue is spent on paying down existing debt.
    - *Closing Amortization Balance as a % of Total Cost of Capital Assets (Asset Consumption Ratio)* Indicates how much of the assets' life expectancy has been consumed.
    - *Annual Surplus / (Deficit) as a % of Own Source Revenues:* Indicates the municipality's ability to cover its operational costs and have funds available for other purposes (e.g. reserves, debt repayment, etc.)

Corporation de la ville de / of the Town of HAWKESBURY

MMAH Financial Indicator Review

	2015	2016	2017	2018	2019	Provincial ranges		
						Low	Moderate	High
Sustainability Indicators								
Total Taxes Receivable less Allowance for Uncollectibles as a % of Total Taxes Levied	7.4%	8.8%	8.2%	6.6%	7.2%	< 10%	10% to 15%	> 15%
Net Financial Assets or Net Debt as % of Own Source Revenues	-58.6%	-48.3%	-48.6%	-37.7%	-24.4%	> -50%	-50% to -100 %	< -100%
Total Reserves and Discretionary Reserve Funds as % of Municipal Expenses	24.6%	26.9%	27.9%	33.2%	40.9%	> 20%	10% to 20%	< 10%
Cash Ratio (Total Cash and Cash Equivalents as a % of Current Liabilities)	40.0%	192.0%	146.0%	226.0%	284.0%	> 50%	50% to 25 %	< 25%
Flexibility Indicators								
Debt Servicing Cost as a % of Total Revenues (Less Donated TCAs)	7.9%	9.0%	7.6%	6.5%	7.7%	< 5%	5% to 10%	> 10%
Closing Amortization Balance as a % of Total Cost of Capital Assets (Asset Consumption Ratio)	38.1%	38.6%	40.5%	41.7%	42.5%	< 50%	50% to 75 %	> 75%
Annual Surplus / (Deficit) as a % of Own Source Revenues	18.3%	4.0%	-2.1%	24.0%	13.9%	> -1%	-1% to -30%	< -30 %

5-year Forecast

Corporation de la ville de of the Town of HAWKESBURY

PROJECTED FINANCIAL PERFORMANCE AND POSITION

Long term planning is the development of a financial forecast that considers the impacts of the forces affecting the current state of the Municipality and its long-term goals that will ultimately guide the Town's financial performance over the next five years. This financial forecast is based on the Town's 2020 Budget.

OPERATING EXPENSES

KEY ASSUMPTIONS

Salaries and benefits related cost forecasts are expected to increase at an average rate of 2.8%. This rate reflects a prorated increase based on actual and estimated future settlements under the Town's multiples collective bargaining agreements, corresponding increases for management personnel and anticipated escalations in benefit costs.

Long term debt repayment expenses is based on the current payment schedule, including the new acquired debenture of $456,000, a budgeted debenture of $472,000 in the 2020 Budget and a future expected long term debt financing of $4.6M in 2023 for the Water Treatment Plant capital upgrades.

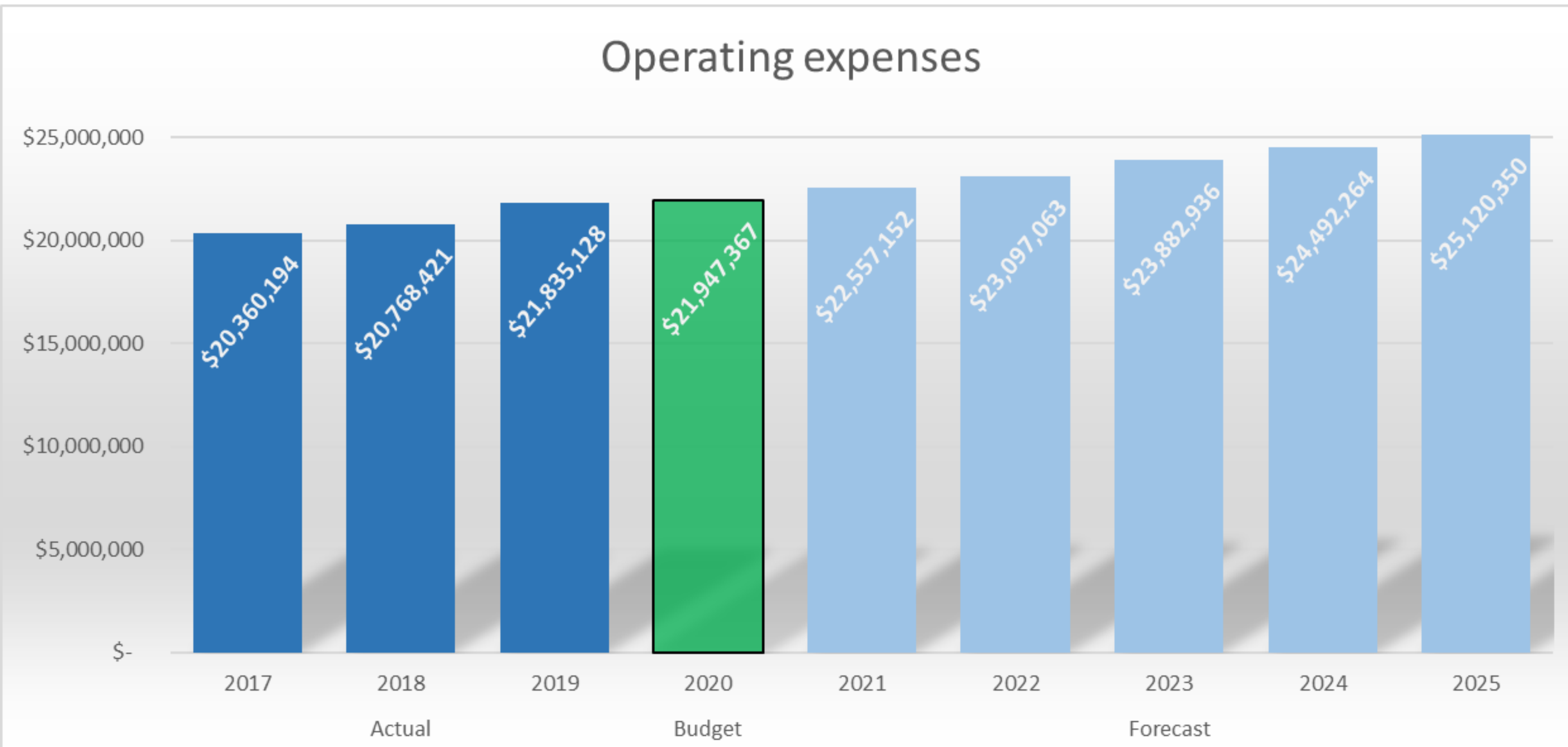
Materials and goods are projected to increase at a rate of 2.2%, which is a prorated forecast based on Consumer Price Index increase of the past 4 years for materials and goods related mainly to energy, telecommunications, transportation and other sectors.

Contracted services and other expenses are projected to increase at a rate of 3.5%, which almost half of it consist of the contracted services of the Ontario Provincial Police.

External transfers are forecasted to increase by approximately 4% per year. The main purpose of external transfers is to help finance capital projects and accumulate reserves in order to help sustain the Town's Level of Services and growing infrastructure financing gap, by reducing the need to depend on long-term debt and the flexibility to self-finance sudden and unforeseen capital expenses.

PROJECTED FINANCIAL PERFORMANCE

OPERATING EXPENSES	Actual 2017	2018	2019	Budget 2020	Forecast 2021	2022	2023	2024	2025
Salaries, wages and benefits	$ 7,160,468	$ 7,315,244	$ 7,221,652	$ 7,667,054	$ 7,881,732	$ 8,102,420	$ 8,329,288	$ 8,562,508	$ 8,802,258
LTD Repayment	1,608,528	1,629,674	1,807,118	1,860,371	1,928,198	1,832,243	1,888,826	1,888,826	1,888,826
Materials	2,374,313	2,493,139	2,685,771	3,929,474	4,015,922	4,104,273	4,194,567	4,286,847	4,381,158
Contracted services, Rents and Financial Expenses	7,775,261	6,953,576	7,329,447	6,410,983	6,573,267	6,803,332	7,041,448	7,287,899	7,542,976
External Transfers	1,441,624	2,376,788	2,791,140	2,079,485	2,158,033	2,254,796	2,428,807	2,466,184	2,505,133
Total Operating Expenses	**$ 20,360,194**	**$ 20,768,421**	**$ 21,835,128**	**$ 21,947,367**	**$ 22,557,152**	**$ 23,097,063**	**$ 23,882,936**	**$ 24,492,264**	**$ 25,120,350**



KEY ASSUMPTIONS

TAXATION REVENUES

- The Town's total taxable assessment was expected to start a new four-year cycle beginning in 2021. These new assessment value would have been based on January 1, 2019, current value, phased-in over the 2021 to 2024 taxation years. However, due to COVID-19, the Municipal Property Assessment Corporation (MPAC) and the Province of Ontario, have already announced that for the 2021 taxation year, property assessment for 2021 would remain the same as the 2020 assessment year. Without further indications of what the new assessment base will look like or when it will be applicable, we have assumed that, starting in 2022, the assessment phased-in Current Value Assessment (CVA) increase would remain the same as the average increase of the last cycle.

- We also did factor in expected growth forecasts into our model based on the historical growth of the past cycle. In addition, we factored in other upcoming growth projects that are tangible, such as Ecolomondo, Canac, Laplante dealership and other commercial developments, which is mostly reflected in the 2023 forecast.

- No changes were factored in regarding tax ratios for non-residential properties. In 2020, the municipalities of the United Counties of Prescott-Russell finally reached the 2.63 threshold required by the Province for the Industrial Broad Class, which removed the levy-restriction on the class, we are not expected other major movement with respect to tax ratios for the upcoming years.

- This model also includes the upcoming elimination of the Vacancy Unit Rebate and Vacant/Excess Land Subclasses Programs.

- Lastly, an annual tax rate increase of 2.75% from the 2020 rates was factored into the model. While municipal budgets are typically required to be balanced, for the purpose of this plan, we decided to use an annual fixed rate for the duration of the plan. Therefore, the plan show some yearly surpluses and deficits, however, the financial plan model shows a balanced budget over the 5-year period. In summary, while the annual budgeting exercise will most likely required different tax rate increase based on the specifics annual requirements, over the duration of this plan, we can expect a 2.5% average annual increase.

NON-TAXATION REVENUES

- Grants and Transfer Payments
  - The Town's OMPF allocation is projected to remain the same for the duration of this plan. While in recent years, changes to the model have seen some annual reduction across the Province, the Town did not suffer such decrease in the past five years. While, we are not forecasting any increases, we believe it is prudent not to expect any decreases.
  - Other than the Federal Gas Tax Fund, we currently have no confirmation of annual or sustained level of federal or provincial grant. Therefore, we did not factor in any additional grant during this period, since it is too unpredictable.

- User fees – Utilities
  - Since operations related to Water, Sewer and Solid Waste are expected to self-finance, user fees related to these operations have been calculated accordingly. Water and wastewater user fee revenues are projected to increase at a rate of 3.5% per year, while Solid Waste fees are expected to increase by 2.0% annually.

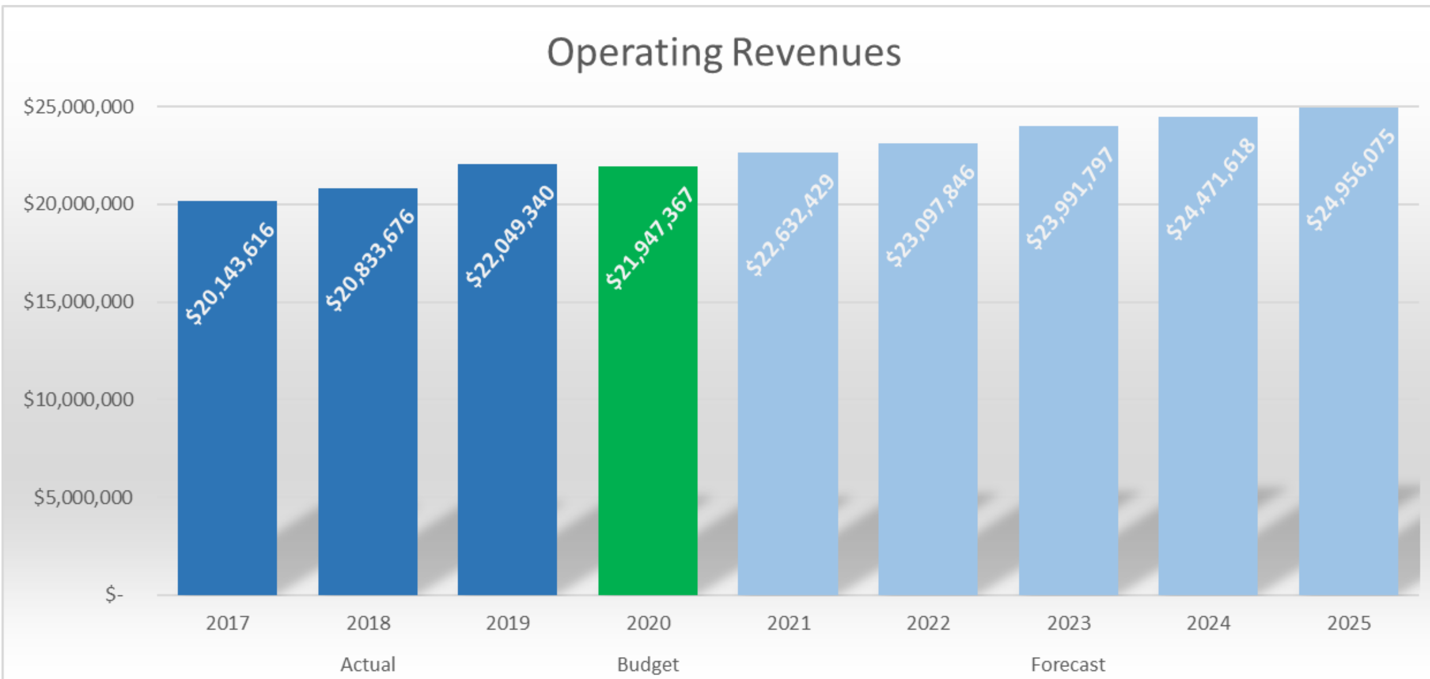
- User fees – Others
  - User fees related to other services of the municipality, such as the Sports Complex activities or Planning and Zoning are projected to increase at a rate of 1%. These activities are inconsistent from year to year; therefore, we felt it was prudent to keep the increase relatively low.

- Investment Income
  - Investment income projection are based on the yearly reserve balance and a 2% rate of return for short-term investments.

- Others revenue sources
  - Other revenue sources have been also been modestly increased over the duration of this plan. Historically theses revenues have been stable but with a relatively low growth.

PROJECTED FINANCIAL PERFORMANCE

OPERATING REVENUES	2017	2018	2019	2020	2021	2022	2023	2024	2025
Municipal Taxation & PILs	$ 10,598,841	$ 10,566,891	$ 11,046,439	$ 11,249,443	$ 11,770,118	$ 11,983,479	$ 12,624,988	$ 12,845,601	$ 13,072,346
User fees - Utilities	5,283,644	5,428,262	5,397,074	5,978,348	6,172,644	6,373,255	6,580,386	6,794,249	7,015,062
User fees - Others	1,231,184	1,272,221	1,444,951	664,880	671,529	678,244	685,027	691,877	698,796
Grants and Transfer Payments	2,163,617	2,444,542	3,047,522	2,629,129	2,639,129	2,649,129	2,659,129	2,669,129	2,679,129
Licences, Permits and Rents	277,399	385,123	614,324	976,100	873,509	886,612	899,911	913,409	927,111
Investment Income	112,758	128,151	214,698	90,000	148,924	168,420	181,496	194,319	199,922
Fines and Penalties	233,060	292,153	221,043	211,000	213,110	215,241	217,394	219,567	221,763
Gain (Loss) on Sales of Property	2,750	108,085	20,739	7,000	6,000	6,000	6,000	6,000	4,480
Development Charges	-	-	-	54,000	50,000	50,000	50,000	50,000	50,000
Other	240,363	208,248	42,550	87,467	87,467	87,467	87,467	87,467	87,467
Total Revenues	**$ 20,143,616**	**$ 20,833,676**	**$ 22,049,340**	**$ 21,947,367**	**$ 22,632,429**	**$ 23,097,846**	**$ 23,991,797**	**$ 24,471,618**	**$ 24,956,075**



SUMMARIZED OPERATING REVENUES AND EXPENSES

As mentioned previously, municipal budget typically are not allowed to create surplus or deficit. While this model reflect an annual surpluses and deficits over the 5-year plan, the net result over the period is balanced. This financial plan is not meant to replace the annual budgeting exercising but rather to provide broad guidelines and expectations of what we will see in those annual budgets. This model also takes into account a fixed 2.5% tax rate increase over the period while the annual budget process is a unique and independent exercise that will require its own rate adjustment. However, this plan should reflect what we could expect, in general, for the levy requirements to balance the annual budgets.

As you can see, the model predict early surpluses, meaning that the fixed rate increase of 2.6% might be overvalued during the early years. However, as we move ahead over the course of this plan, the expenses are expected to grow faster than the revenues, meaning that in the latter years of this plan, the rate increase won’t be enough to cover the expenses.

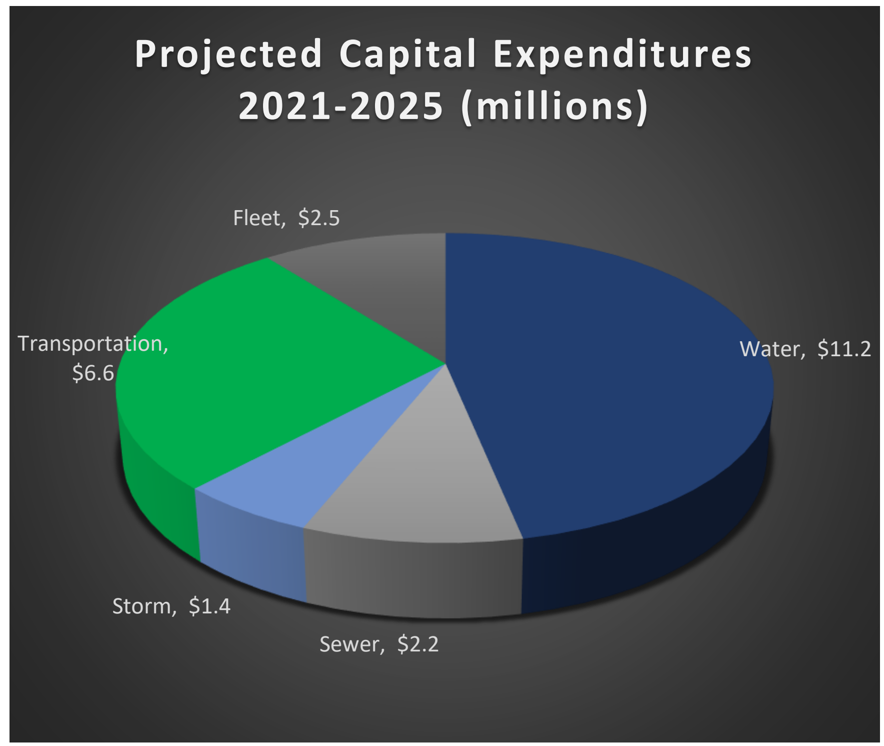
OPERATING SURPLUS OVERVIEW	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Revenues	$ 20,143,616	$ 20,833,676	$ 22,049,340	$ 21,947,367	$ 22,632,429	$ 23,097,846	$ 23,991,797	$ 24,471,618	$ 24,956,075
Total Operating Expenses	$ 20,360,194	$ 20,768,421	$ 21,835,128	$ 21,947,367	$ 22,557,152	$ 23,097,063	$ 23,882,936	$ 24,492,264	$ 25,120,350
Annual Operating Surplus (Deficit)	**$ (216,578)**	**$ 65,255**	**$ 214,212**	$ -	**$ 75,277**	**$ 783**	**$ 108,861**	**$ (20,646)**	**$ (164,275)**
Accumulated Surplus (Deficit) over 5 years				$ -	**$ 75,277**	**$ 76,060**	**$ 184,921**	**$ 164,275**	**$ 0**

PROJECTED CAPITAL EXPENDITURES 2021-2025

For the duration of this financial plan, the major capital expenditures are projected to amount to approximately $24M. The majority of capital expenditures relate to Water (47%) and Transportation (28%). Also, it is important to point out that this plan includes the projected capital expenditures for the core infrastructure, which are Water Network, Sewer Network, Storm Network and Transportation Services, and the Fleet Management. Others capital expenditures such as Recreation, Facility Management and Protection Services have not been included due to the lack of accurate data.

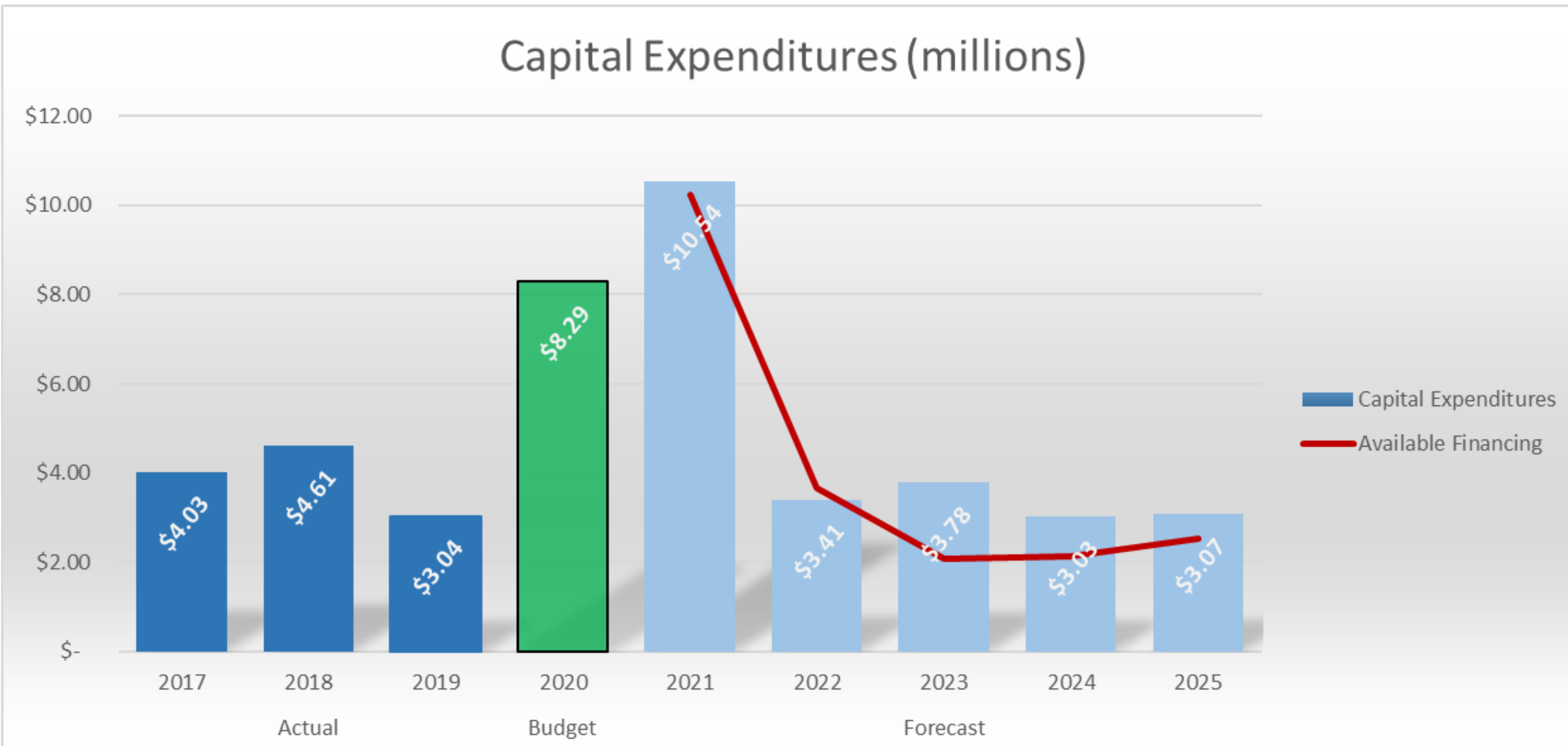
MAJOR CAPITAL EXPENDITURES

- Water Treatment Plant
    - Clarifier Upgrade $5.6M
    - Life-cycle Work and Replamcenet $1.46M
    - Filtration and Backwash $1.1M
    - High Lift Pumps and Treated Water Storage $0.83M
- Transportation
    - Fleet Replacement $2.6M
    - Road Network Paving Program $2.5M
    - Sidewalks and Curbs Repl. Program $500M
- Storm Network Rehabilitation $1.4M
- Sanitary Sewers Rehabilitation $2.06M



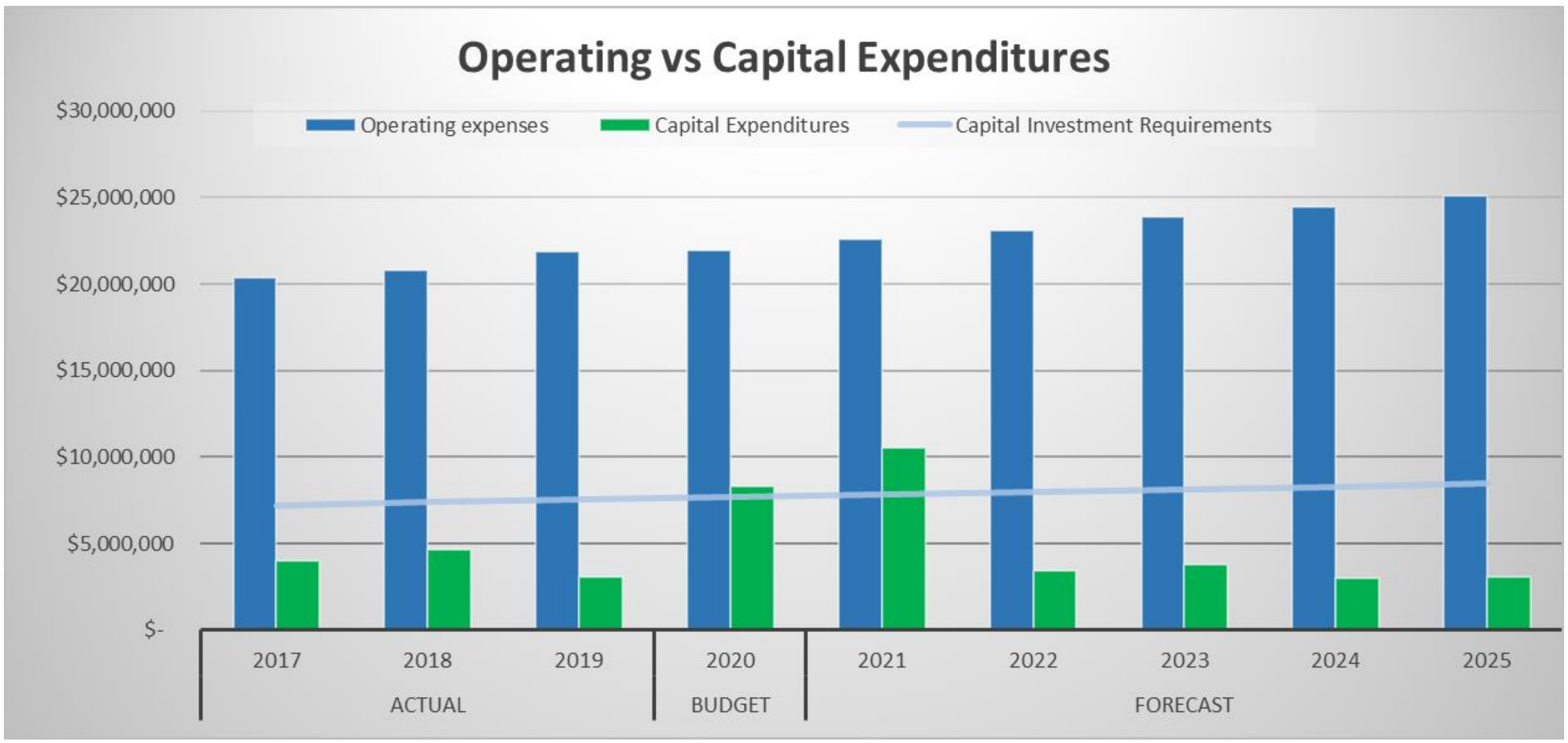
FINANCING

The capital funding available to finance these expenditures amounts to $18.2M and is coming from the following five main streams: Long term Debt ($4.59M), Tax Levy ($3.8M), Reserves ($2.95M), Grants ($2.34M), Federal Gas Tax ($1.72M) and User Fees ($2.90M). In summary, there is a financing gap of approximately $5.8M for the capital expenditures projected during this 5-year plan. In addition, any capital projects regarding the others non-core infrastucture would increase this gap, along with any unexpected and/or sudden circumstances regarding any capital assets.



OPERATING VS CAPITAL EXPENDITURES

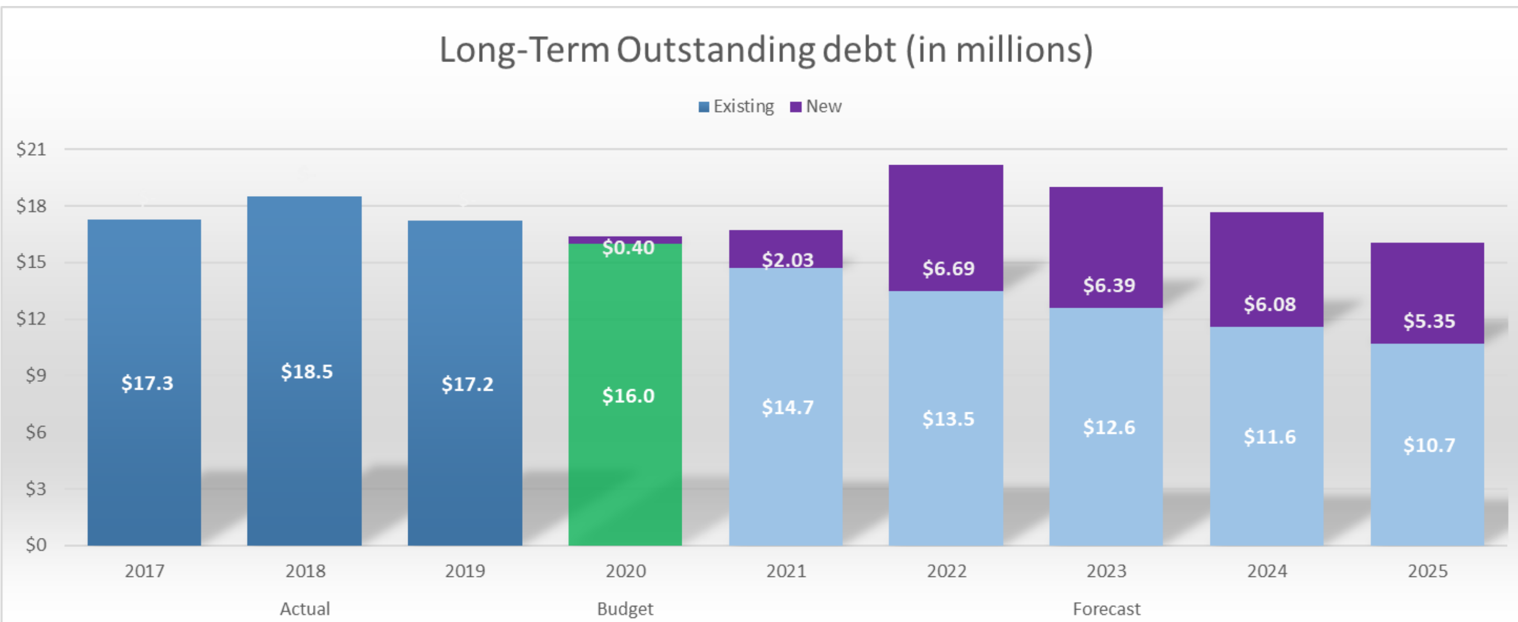
According to our latest Asset Management Plan dated from 2016, our annual Capital Investment Requirements necessary for sustainable asset management was $7,086,000. When factoring in an inflation rate of 2%, this annual requirement increases to $8,468,000 by 2025. While these requirements are based on asset condition, which in-turn are based mostly on age rather than actual physical and working condition, we are currently in the process of reviewing our asset database to incorporate a more tangible condition assessment, which should decrease the annual requirements. Nonetheless, the requirements will still be higher than our actual annual investments and there is already a funding gap for the ones we are making.



PROJECTED LONG-TERM DEBT 2021-2025

The Town currently has a total of $17.2M in outstanding debt as of December 31, 2019. The Town recently contracted a debenture of $456k and is projecting to borrow an amount of $1.77M in 2021 for the capital project of the Arena's refrigeration system. The Town is also expecting to borrow an amount of approximately $4.88M in 2022 for the capital projects of the Water Treatment Plant over the next few years.

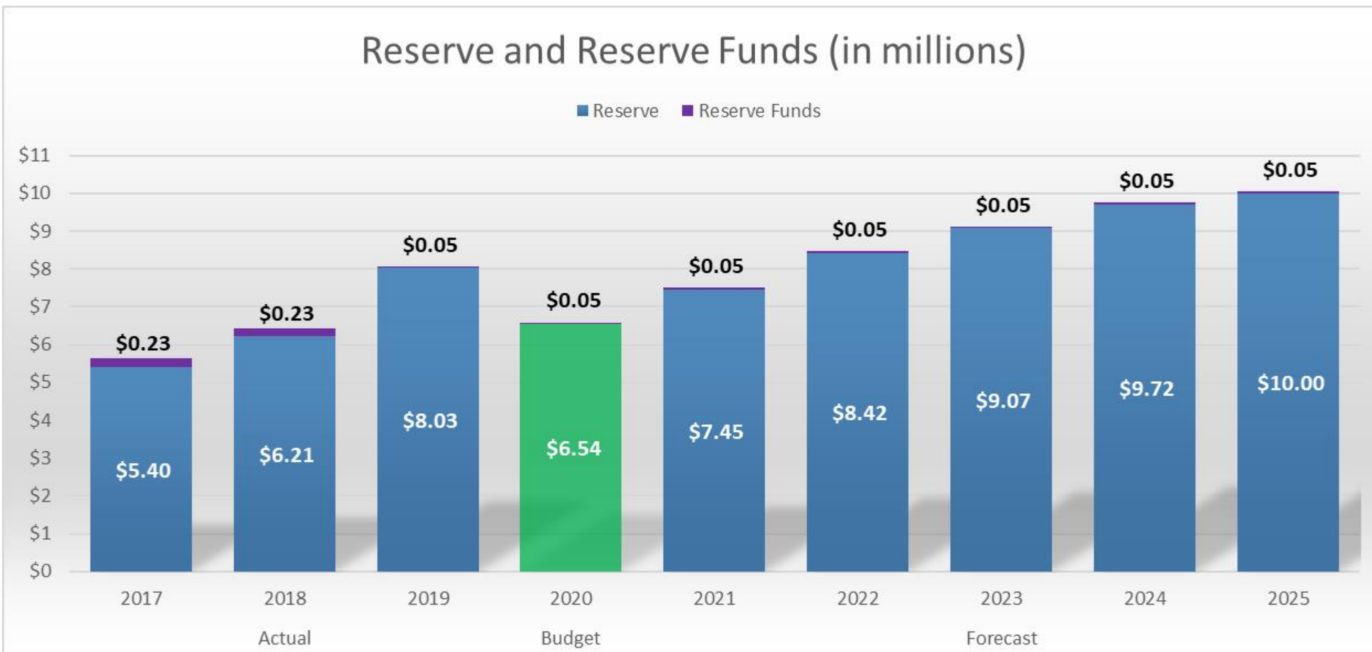
The Town is currently in a good position with an acceptable Debt Service Cost ratio and expiring debts in the next five year. While long-term debt interest rates are currently attractive, for every $1M that is borrowed, approximately $55,000 must be added to the annual operating budget expenses. This extra cost represent 0.5% increase of the tax rate. The Town is well positioned to use long-term debt toward the end of this 5-year plan; however, the Town should find the right balance between long-term debt, reserves and general fund to finance its capital expenditures in order to avoid unnecessary interest expenses. This strategy will be reviewed annually during the Budget process.



PROJECTED RESERVES AND RESERVE FUNDS 2021-2025

During this five-year plan, reserve funds are expected to remain relatively stable. On other hand, reserves are projected to grow significantly. As at December 31st, 2019, the reserves balance was $8.03M, and while we budgeted to utilize a considerable portion of it in our 2020 Budget for the Water Treatment Plant capital projects, we are projecting that balance will reach $10.15M by 2025. Back in 2018, the Town adopted a reserves and reserve funds policy to ensure that monies are set aside for the long term goals of the municipality and that those funds will be available when needed. Reserves and Reserve Funds are important long-term financial planning tools for municipalities. While this policy gives the broad guidelines, regarding reserves and reserve funds usage, the next step in this process is an internal analysis their current balances and to attribute a goal and strategy for each individual account. This exercise is expected to take place in the next year and will be supported by Asset Management Data.

In summary, reserve and reserve funds as a % of Municipal Expenses are expected to maintain and exceed the Financial Indicator established by the Ministry of Municipal Affairs and Housing. While the Town already exceeds the low risk range associated with this indicator with a 40% ratio as at December 31st, 2019, that number will decrease during the first few years of this plan, only to return to a similar range of 40% by the end of 2025.



Summary and Conclusions

MAINTAINING THE LONG-TERM FINANCIAL PLAN

This is the first long term financial plan for the Town of Hawkesbury. The plan presented in this report represents a look at the Town's past financial performances, its current financial position and a forecast of the next five years based on a series of assumptions presented throughout this plan.

The purpose of this financial plan is not to replace the Town's annual budget process. The Town's objective following the budget process is to:

- Continually update this document based on the most recent adopted operating and capital budget. The newest adopted budget will form the new base year for the remainder of this 5-year plan, put through the same assumptions identified in this plan.
- Report and monitor the most recent financial position of the Town, including reserve and reserve fund balances, outstanding long-term debts and other relevant financial indicators.
- Revise key assumptions to reflect the actual conditions of the financial environment of the Town.

The process of maintaining and updating this financial plan is to support the Town's overall planning, budgeting and evaluation of its financial performance through financial indicators. This process will allow the Town to monitor its current financial position, identify trends that could reveal current or impending financial opportunities or challenges and react accordingly by adjusting its financial strategy or policies.

COMMUNICATING RESULTS

In order to promote the Town's achievement of the financial objectives identified in this financial plan, included in the annual budget process will be reporting on the Town's financial indicators from both the Financial Statements and Ministry of Municipal Affairs and Housing's indicators.

FINANCIAL STRATEGIES AND INNOVATION

Finally, the fiscal environment Ontario's municipalities have to navigate through is becoming more and more dependant on municipal taxation. Provincial and Federal funding are scarce, service delivery keep being downloaded to municipalities and finding new revenue stream is difficult. Municipalities really needs to get creative in order to find new revenue stream, here are a few possibilities:

STORMWATER MANAGEMENT FEES

The majority of Ontario municipalities, including the Town, uses municipal levy in order to fund stormwater management costs. Another option that we are starting to see in some municipalities is the use of a stormwater management fee to finance both the operating and capital costs related to its infrastructure. Similar to water, wastewater and waste collection users fees, the objectives of stormwater managements fees is to:

- Provide a measure of fairness and equity associated with the individual runoff of property, rather than based on assessed value.
- Auto finance the requirements associated with stormwater management costs. Unlike water and wastewater, which are autofunded through user fees, stormwater management is left competing against other priorities funded by the municipal levy, like transportation, recreation or protection services. Oftentimes, stormwater management end up neglected and underfunded. User fees would allow the stormwater management to generate its own revenue stream and fund its financial requirements without competing with others services.
- Provide environmental incentives to property owners to adopt better source controls in order mitigate the amount of runoff generated by their properties. For example, establishment of additional greenspaces on their properties.

There are a few different models available, whether it is a flat fee structure, tiered flat fee structure or variable rate structure based impervious area.

CAPITAL LEVY

The Town's latest (2016) asset management plan identified an annual capital investment requirement of ranging from $7.5M to $8.5M over the next five years. As oppose, our projected annual average capital investments over this 5-year plan, is below 5M$, creating a significant shortfall for the replacement of our infrastructure. This mean that the Town will be unable general the necessary level of funding for infrastructure requirements due to limited financial resources and debt capacity. The Town could implement a capital funding strategy, which involves a recurring increase in the Town's budget specifically allocated for capital expenditures, debt servicing costs and/or reserve fund transfers.

These are a few examples of alternative funding sources available to municipalities. In order to improve its financial position and performances, the Town will need to be creative and find new revenue stream in order maintain its service delivery, reduce the financing gap in its infrastructure replacement and move toward sustainability.