



## Committee of the Whole Report

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**Report Number:**     **CORP2021-013**

**Meeting Date:**       May 11, 2021

**Title:**                   **Long Range Financial Plan Update**

**Author and Title:**   Jennifer Stover, Director of Corporate Services

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### **Recommendation(s):**

**That** Report CORP2021-013, **Long Range Financial Plan Update**, be received;

**Department Head:** \_\_\_\_\_

**Financial/Legal/HR/Other:**\_\_\_\_\_

**Chief Administrative Officer:**\_\_\_\_\_

## **Background:**

On July 11, 2017 Council approved a 10 year financial plan from 2017 to 2028. This plan was designed to implement the 2017 Asset Management Plan.

As the City is now at the mid point of the 10 year plan, it is prudent to revisit the plan and amend as required.

## **Rationale:**

The 10 year financial plan established a framework to guide financial decision making and the annual budget process. While the plan has served the City well, there have been some opportunities identified to benefit the next plan.

### **10 Year Financial Plan Lessons Learned**

The plan was established for a definitive 10 year window. It is now recognized that as the City's business is ongoing, the financial outlook should be as well. The updated plan will be established with a 10 year rolling forecast.

The original plan considered a tax levy increase that was not palatable with the Community. The updated plan needs to balance community expectations with affordability.

As noted above, the key driver for developing the 10 year financial plan was to implement the 2017 Asset Management Plan, and therefore it was more heavily focused on the City's capital needs. Over the past several years it has become apparent that the City's operating pressures are exceeding the forecast and in most years driving the requirement for a tax levy increase.

The operating pressures have prevented the City from building the capital reserves that were contemplated in the plan. This will result in further pressure on the City's ability to meet its capital needs without some careful planning.

The final lesson learned from the past five years is that the long range financial plan needs to be flexible and provide Council with the necessary decision making tools to accommodate unplanned priorities and economic conditions.

### **Updated Long Range Financial Plan**

Using the lessons learned, staff have developed a revised framework for analyzing and developing the City's financial needs over the next 10 year horizon and beyond.

The updated Long Range Financial plan will include a comprehensive review of all the City's tax supported budgets (Operating, Special Projects and Capital) with an objective of maintaining a 3% annual tax levy increase.

In support of the detailed financial forecast, the updated Long Range Financial Plan will also include four strategies.

The People Strategy will focus on how, when and why new positions are required in the organization. The financial plan will incorporate a provision for the hiring of new staff to ensure there are sufficient funds when the needs arise.

The Revenue Strategy will provide a greater understanding of the City's other revenue sources. As almost half of the City's revenue comes from non property tax sources, it is important to understand how fluctuations in these revenues could impact the City's finances and/or service levels.

The City currently has 62 different reserves totalling approximately \$49 million. The Reserve Strategy will analyze the need for these reserves and make recommendations on consolidation, deletion and creation of reserves. Once the list of reserves is determined, the strategy will identify the purpose of each reserves, and where appropriate, establish minimum or maximum balances to ensure the City's long term sustainability.

The fourth and final strategy, will be the Debt Strategy. Currently, Council determines the need for debt issuance on a project by project basis. This strategy will look to develop a framework on debt capacity and use, along with the allocation of debt across the City's key disciplines: tax supported programs; development charges supported programs; and KLHHC programs.

Staff are well underway in completing the updated Long Range Financial Plan to ensure that it can inform the 2022 budget deliberations.

### **One- Time Funding Sources**

In developing the Long Range Financial Plan, it is important to review all possible funding sources that are available to support the City's initiatives. There are four specific funding allocations that warrant Council's attention.

## **Community and Economic Development Related Pandemic Recovery**

The 2019 year end generated a surplus of approximately \$3 million. At the direction of Council, these funds were transferred to the Contingency Reserve for the purpose of supporting community and economic development related pandemic recovery.

Council has allocated about \$2.5 million as shown in the table below, leaving a balance of approximately \$500 thousand.

<b>Initiative</b>	<b>Amount</b>	<b>Balance</b>
Establishment of the Fund		\$3,012,282.24
Arts, Culture and Heritage Recovery Framework	\$149,081.90	
Community Pandemic Recovery Framework	\$120,000.00	
Enhanced Services in Downtowns	\$200,000.00	
Reconstruction of Colborne Street, Fenelon Falls	\$1,800,386.00	
50/50 Community Program	\$80,000.00	
Boat Launch Improvements	\$115,000.00	
Beautification fund	\$45,328.30	
Total allocation		<u>\$2,509,796.20</u>
Balance remaining to be allocated		\$502,486.04

These funds will continue to be available for community and economic development related pandemic recovery support, as determined by Council.

## **Safe Restart Funding**

The City is in receipt of approximately \$5.8 million in funding from, the Federal and Provincial governments under the Safe Restart Agreement. These funds are to address the operating pressures and local needs of the City for both 2020 and 2021.

Council directed the use of \$2,365,953 of this funding in the 2021 operating budget to offset pandemic related pressures.

In addition, the City purchased powered air purifying respirators for Paramedic Services. While it is anticipated that a separate grant will be received to offset the \$164,000 cost. The Safe Restart funding is earmarked to cover this expenditure in the even the grant isn't received.

This leaves the balance of these funds at \$3,273,047 which will be applied to eligible pandemic related operating pressures in 2021.

## **Federal Gas Tax Funding**

On an annual basis, the City receives approximately \$4.8 million in Federal Gas Tax funding.

In March of this year, the Federal government announced an additional \$2.2 billion in federal gas tax funding for 2021. The City's allocation of that fund is \$4,599,095.

These funds will be allocated to planned gas tax eligible projects as part of the 2022 capital budget.

## **2020 Surplus**

Council took a very prudent financial approach to the pandemic very early in 2020 and directed staff to target a zero deficit budget. The decision was made prior to the upper levels of government announcing any funding to municipalities for pandemic relief.

While staff are awaiting the results of the 2020 surplus it is anticipated that the 2020 surplus will be several million dollars.

As previously discussed at Council, and as part of the Reserve Strategy, staff will be recommended that the disposition of the 2020 surplus include the establishment of a winter control reserve and a WSIB reserve.

Both winter control and WSIB events are uncontrollable. The establishment of these reserves will minimize the impact on the operating budget as these expenses ebb and flow over time.

The remaining surplus is recommended to be transferred to the Capital Reserve to be applied to projects that were deferred due to the pandemic, and that have a benefit to the community.

These recommendations will be brought to Council for discussion and approval with the 2020 audited financial statements.

## **Other Alternatives Considered:**

No other alternatives are considered at this time.

## **Alignment to Strategic Priorities**

This report is in alignment with the strategic priority of good government.

**Financial/Operation Impacts:**

The update to the Long Range Financial Plan will continue to inform the annual budget deliberations and provide Council with a financial tool to inform decision making on unplanned priorities and changes in economic conditions.

**Consultations:**

Treasurer  
Manager, Corporate Assets

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