

Long Range Financial Plan Update

Special Committee of the Whole Meeting

May 11, 2021



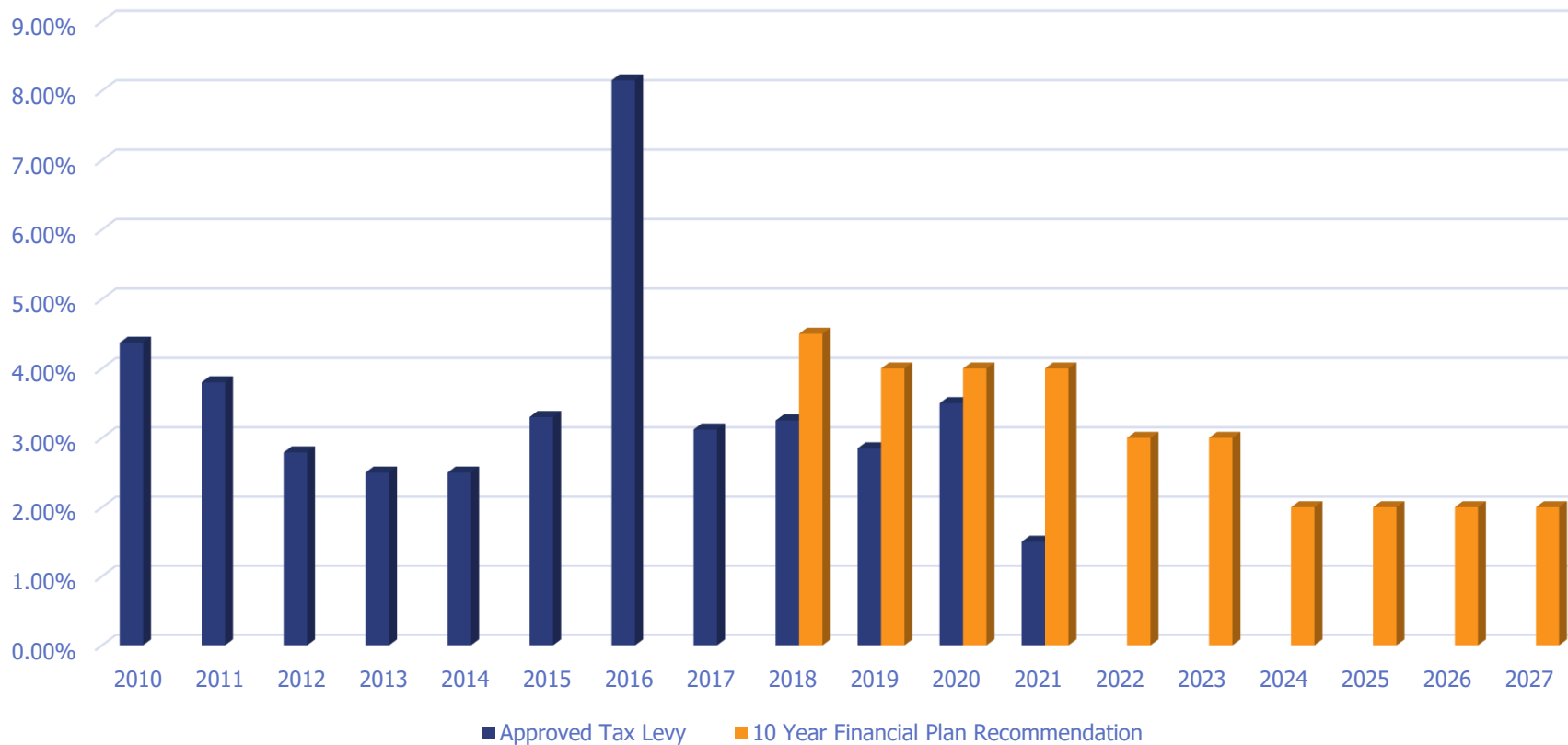
Agenda

- 10 Year Financial Plan – Lessons Learned
- Forecasting 101
- Overview of the Draft Long Range Financial Plan
- Detailed review of the Components of the Plan
 - Capital
 - Special Projects
 - Operating

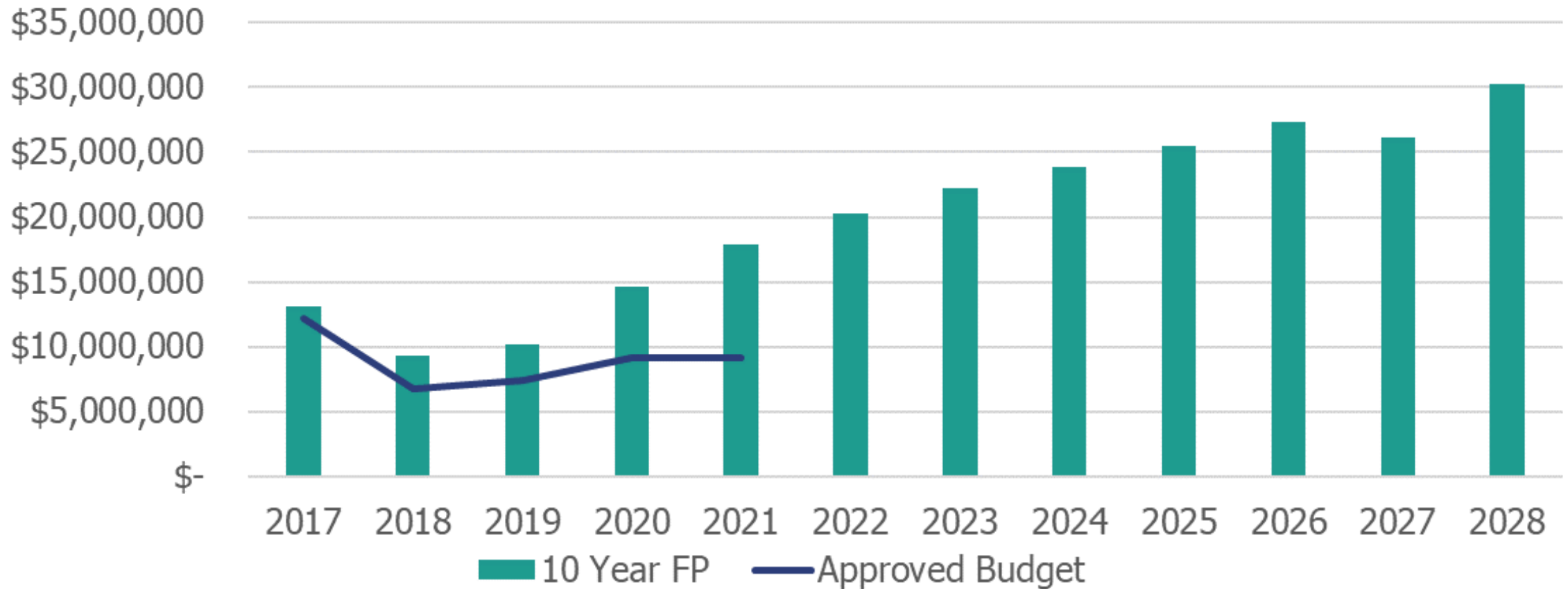
10 Year Financial Plan

- 10 Year Financial Plan 2017 to 2028 was adopted by Council July 11, 2017
- Designed to implement the 2017 Asset Management Plan (AMP)
- Recognized the need to be adaptable to changing legislative, financial and other circumstances relevant to the municipal sector
- June 2018, the plan was amended

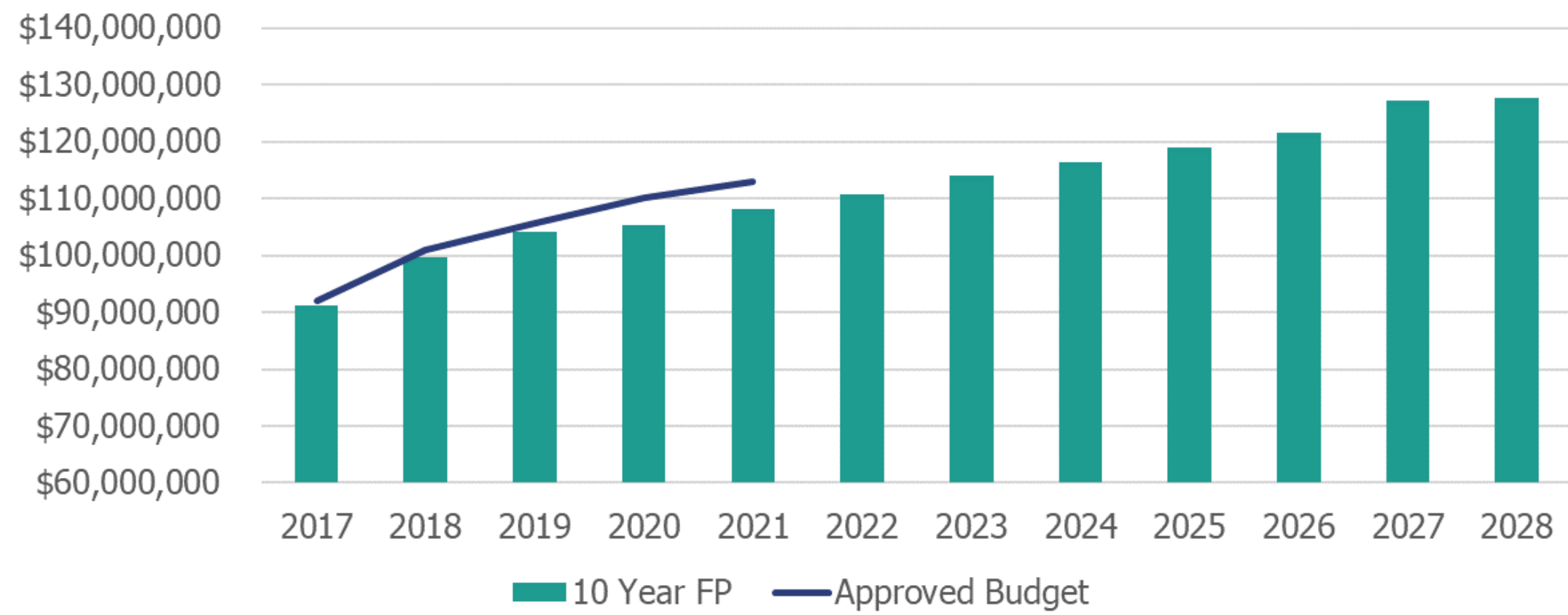
10 Year Financial Plan – Proposed Tax Levy Increases



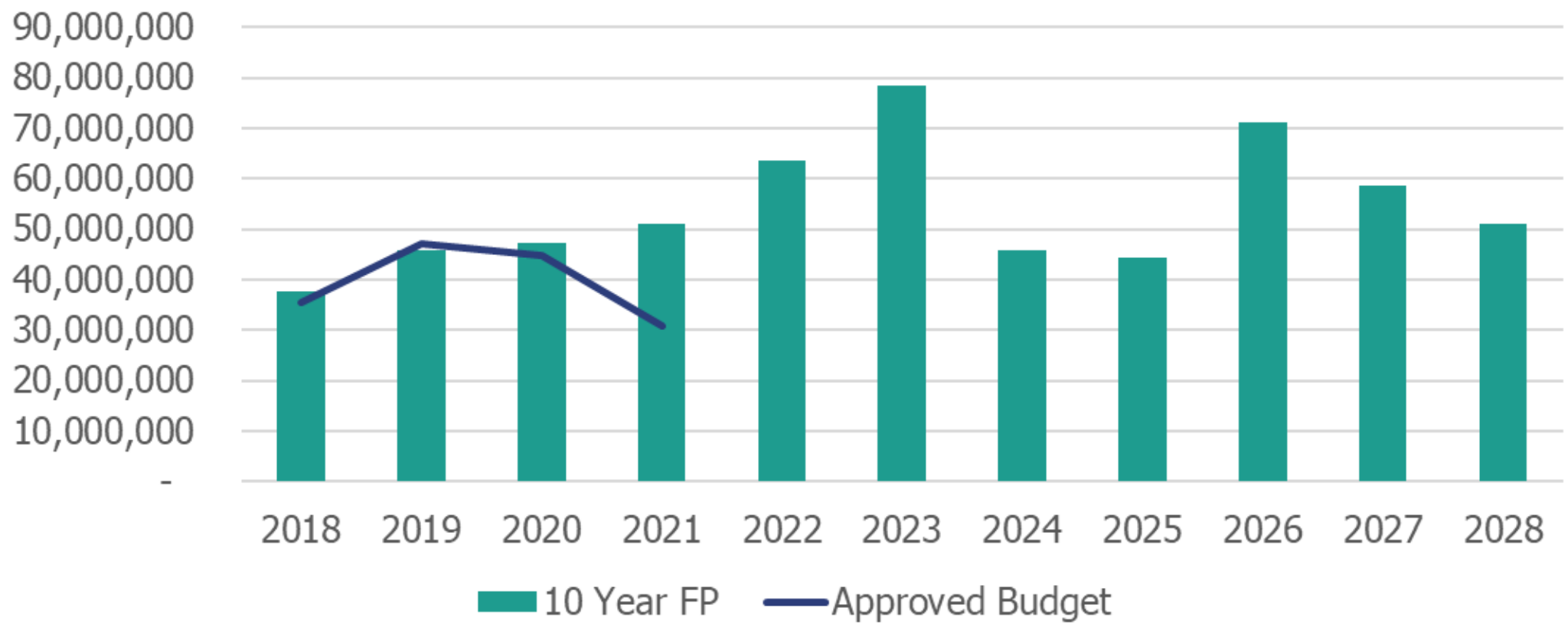
10 Year Financial Plan – Tax Supported Capital Funding



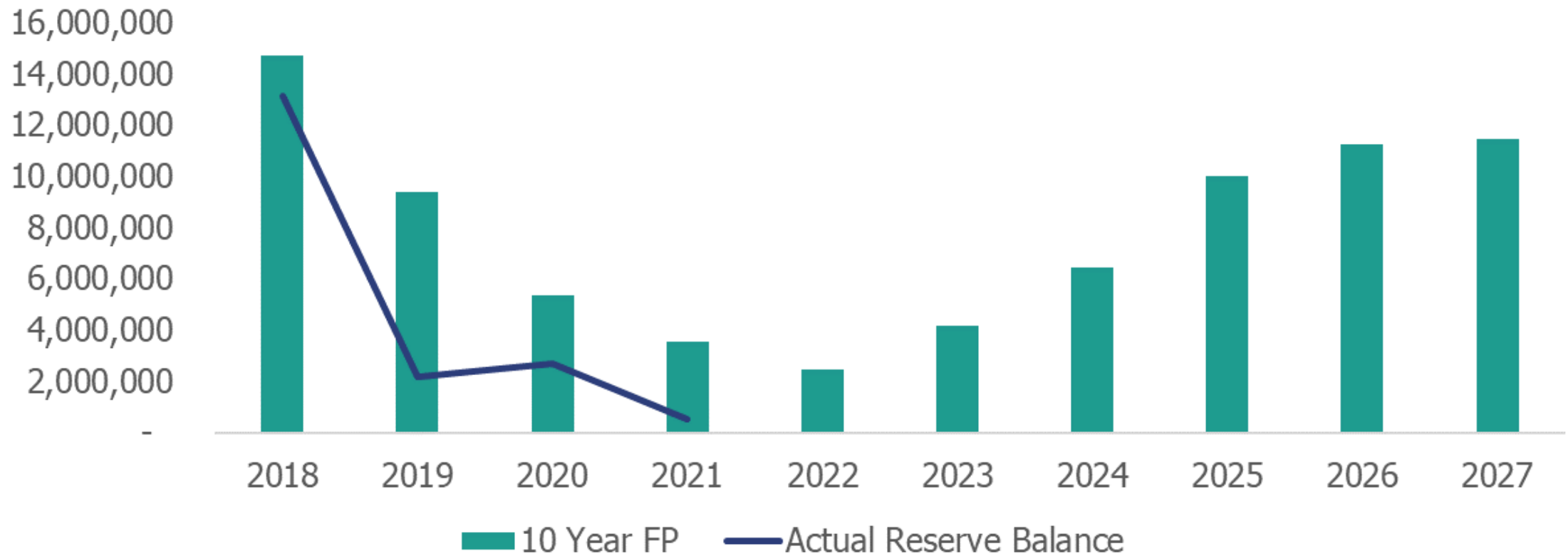
10 Year Financial Plan – Operating



10 Year Financial Plan – Capital Program



10 Year Financial Plan – Capital Reserve Balance



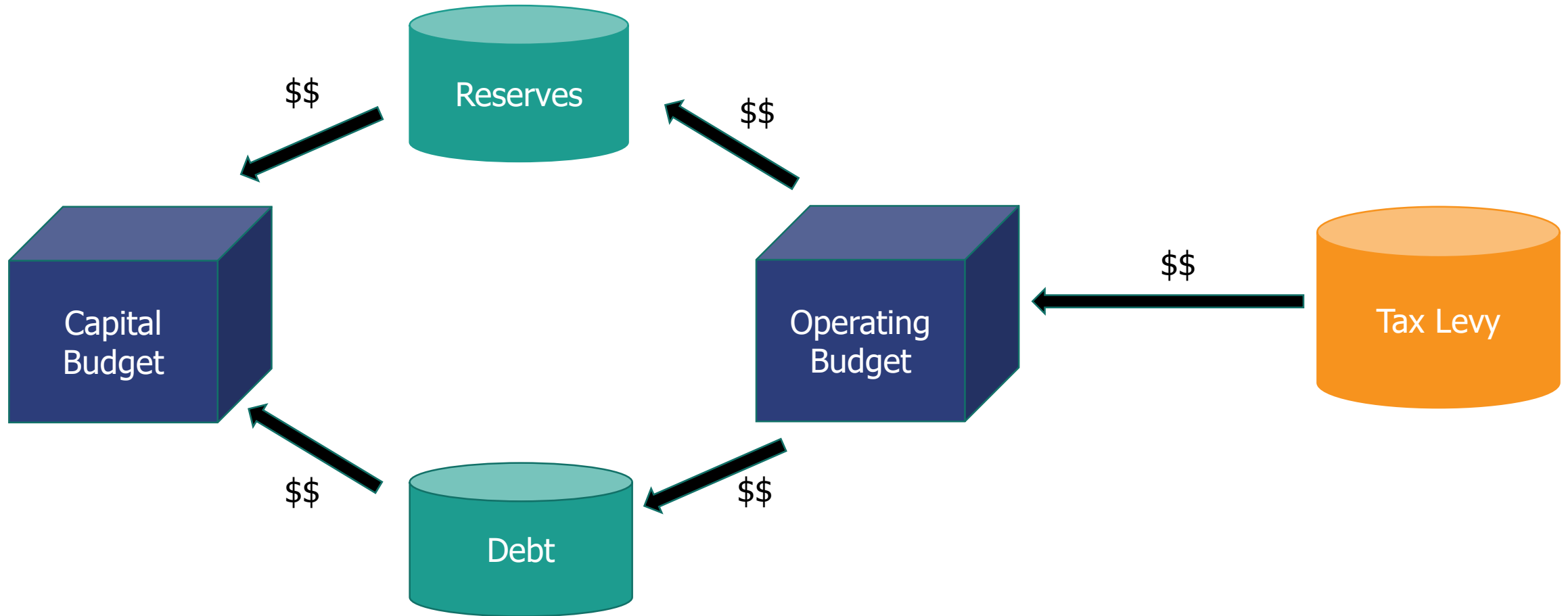
10 Year Financial Plan – Lessons Learned

- Excessive and fluctuating annual tax levy increases are not palatable
- Primarily focused on tax supported capital
- Operating budget pressures are driving the tax levy increase
- Need consideration / flexibility for unplanned priorities

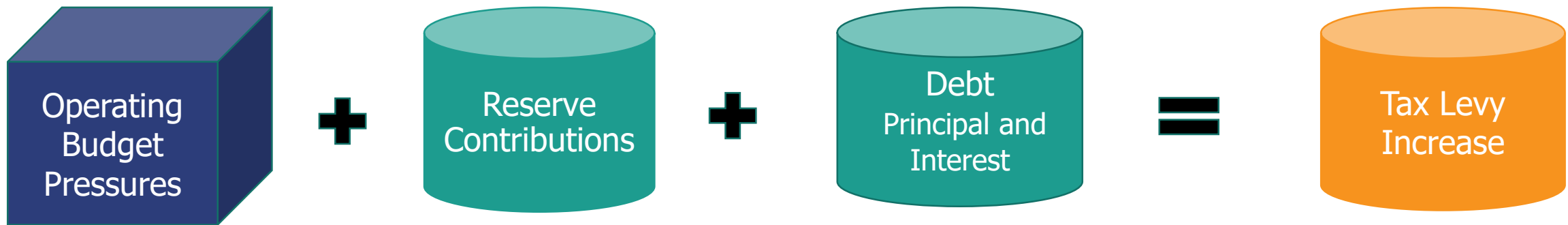
Long Range Financial Plan Forecasting 101



Forecasting 101



Forecasting 101



$$\begin{array}{ccccccc} \cancel{2\%} & + & \cancel{2\%} & + & 0\% & = & \cancel{4\%} \\ 3\% & & 0\% & & & & 3\% \end{array}$$

Tax Levy Increase vs Tax Bill Increase

- LRFP targeting an annual tax levy increase of 3% per year
- This means that the total taxation budget will increase by 3%
- For example:

2020 total taxation budget	\$100,000,000
3% tax levy increase	\$3,000,000
2021 total taxation budget	\$103,000,000

Tax Levy Increase vs Tax Bill Increase

- This does not mean that residents receive a 3% increase on their tax bill
- Why?
 - The City has area rating, so while the total tax levy increase may be 3%, the individual levies (General, Fire, Police etc) may be changing at a different percentage, based on budgetary pressures
 - Not all residents pay all area rates
 - Changes in assessment on individual properties impact the increase

Tax Levy Increase vs Tax Bill Increase

A home in Lindsay

	2019	2020
General Levy	\$2,228.81	\$2,328.46
KLPS	\$824.59	\$809.13
Fire – Area A	\$95.96	\$94.62
Transit	\$36.79	\$46.44
Parks	\$22.67	\$13.47
Streetlights	\$31.00	\$25.43
Total	\$2,825.39	\$2,905.25
Tax BILL Increase		2.83%
Tax LEVY Increase		3.50%

A home outside of Lindsay

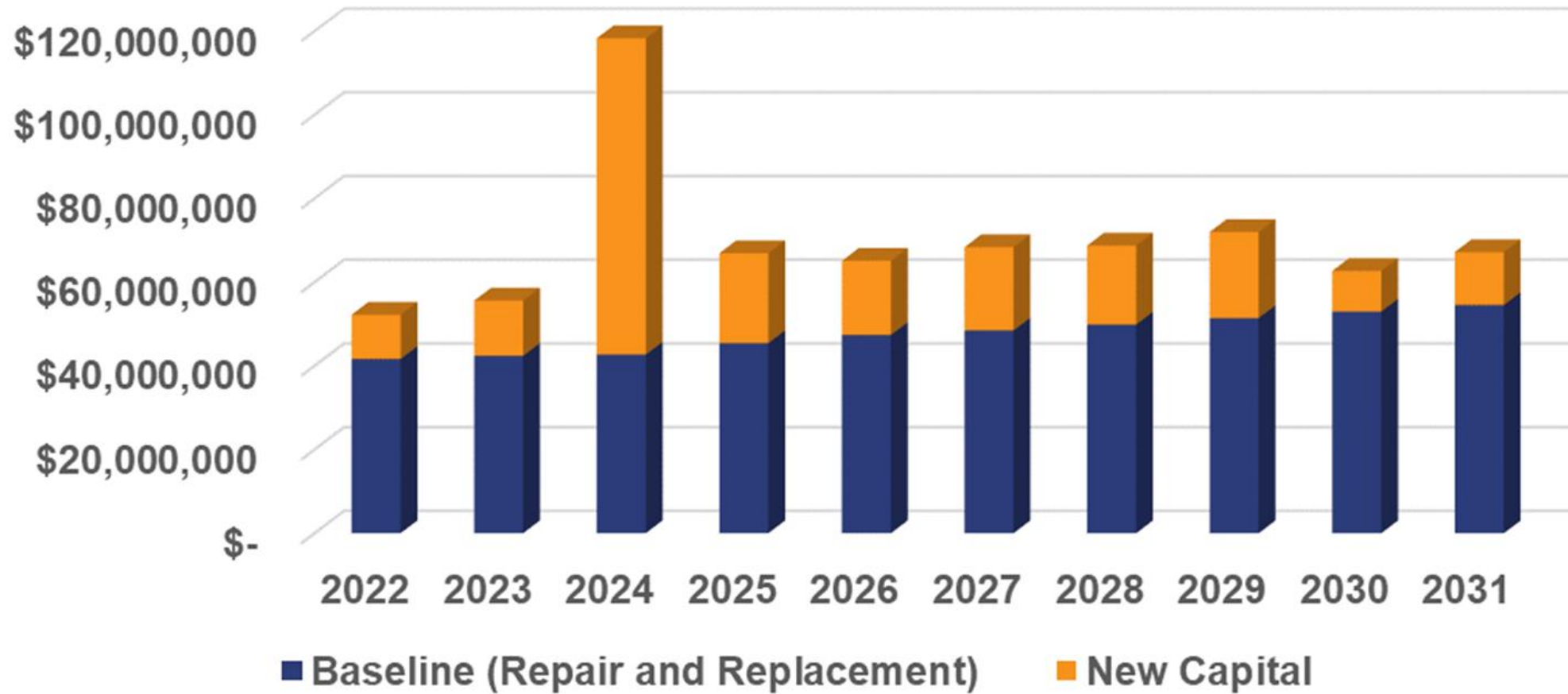
	2019	2020
General Levy	\$2,288.63	\$2,357.03
OPP	\$298.48	\$287.43
Fire – Area C	\$90.03	\$82.17
Total	\$2,677.14	\$2,726.63
Tax BILL Increase		1.85%
Tax LEVY Increase		3.50%

Long Range Financial Plan

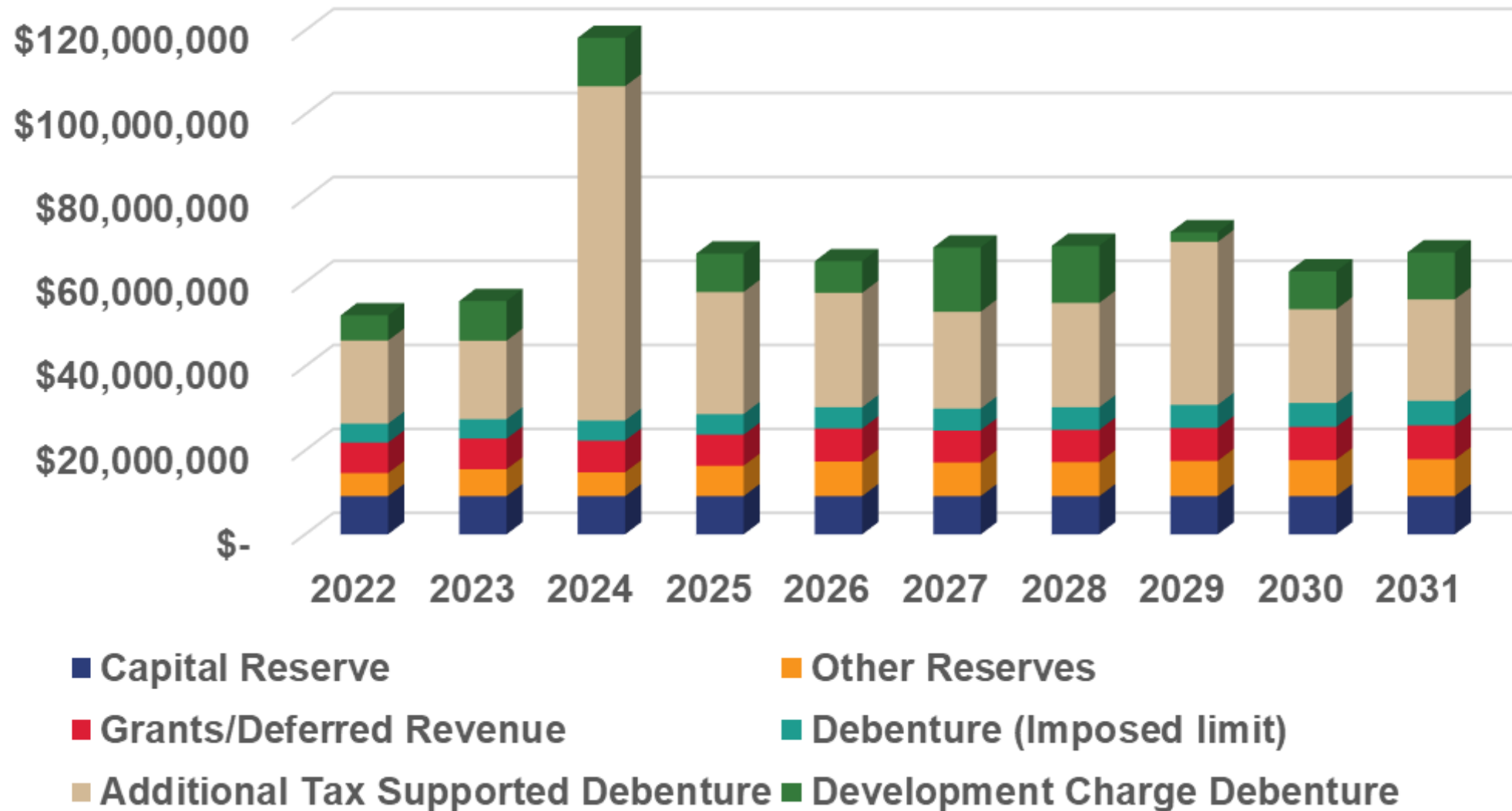
Capital Forecast



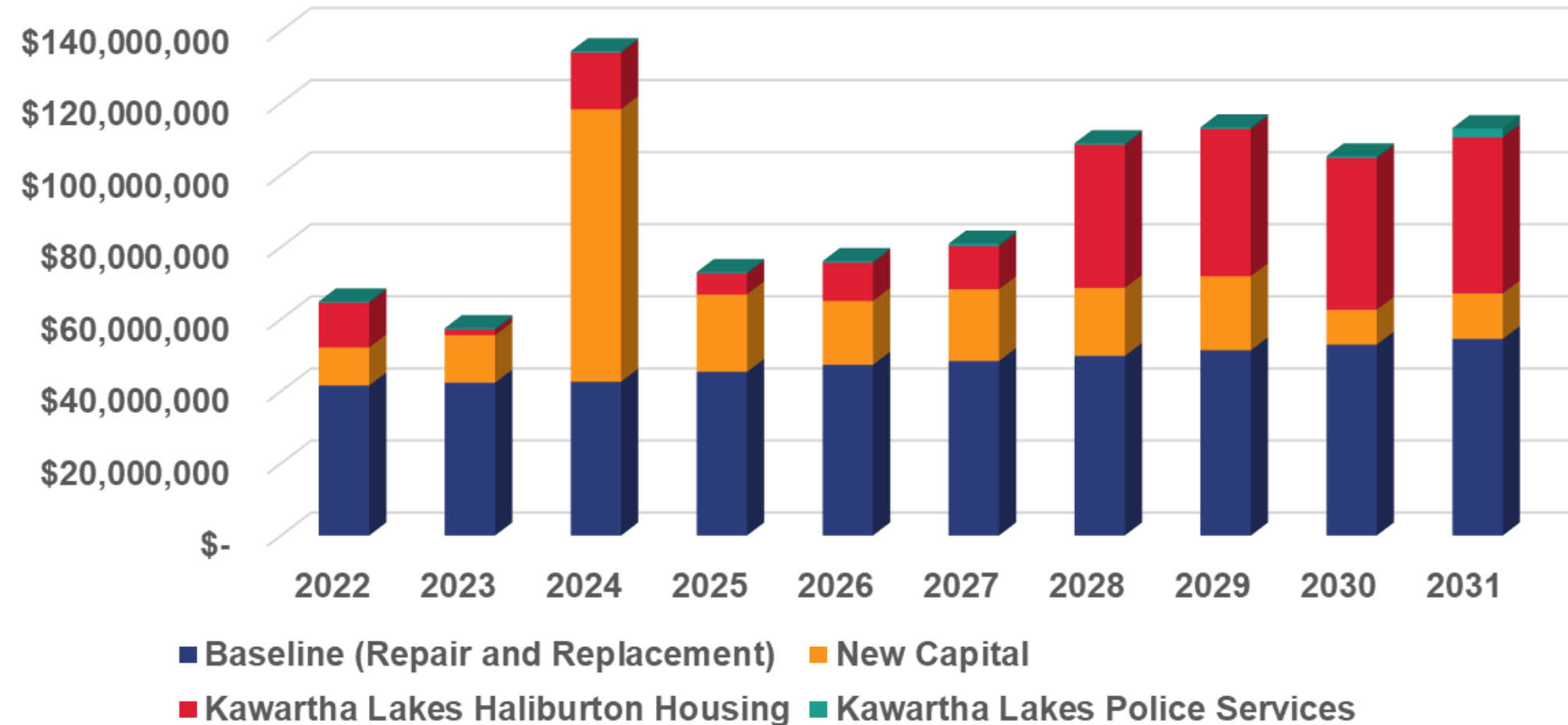
LRFP – Capital Forecast



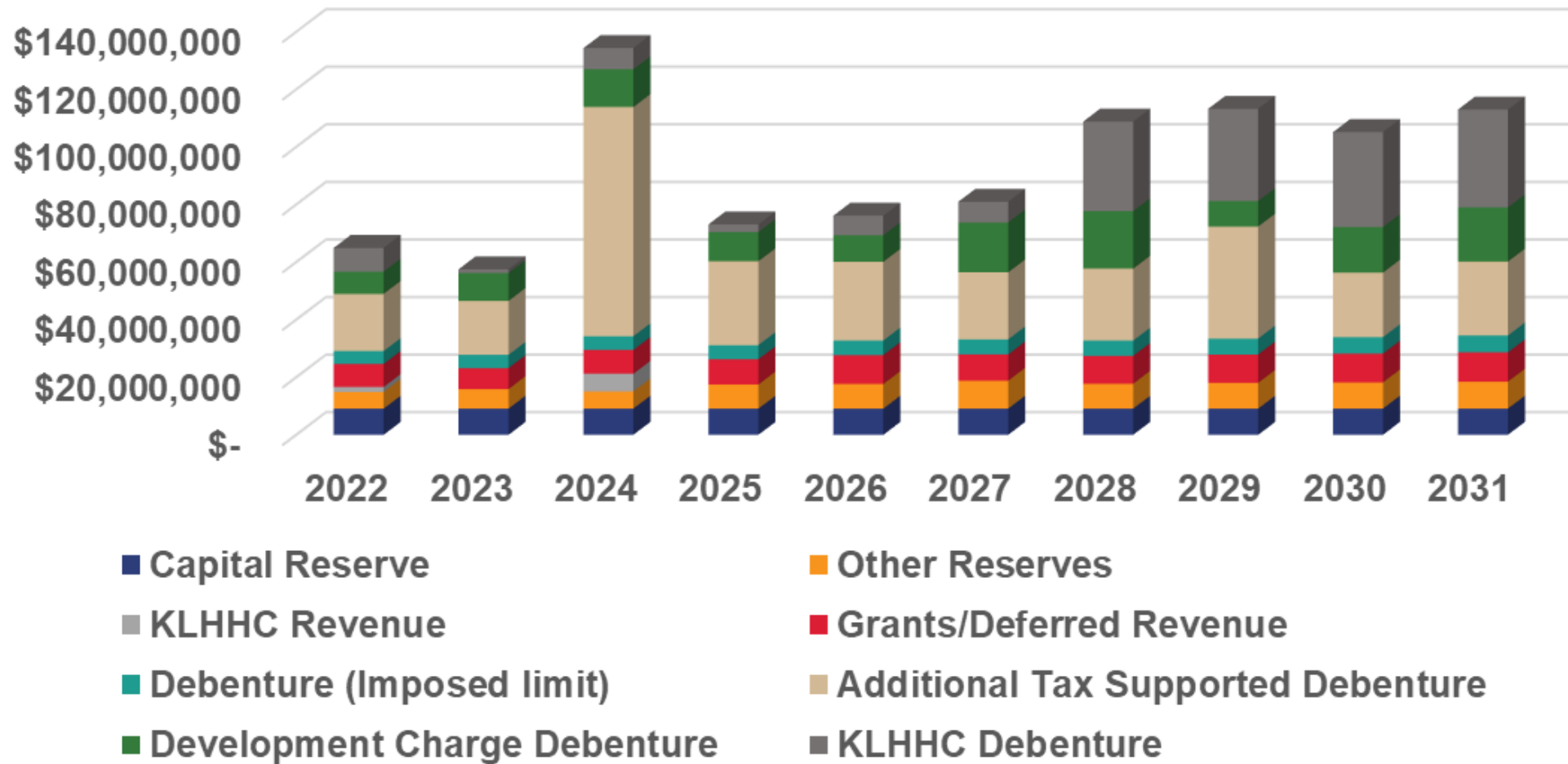
LRFP – Capital Financing



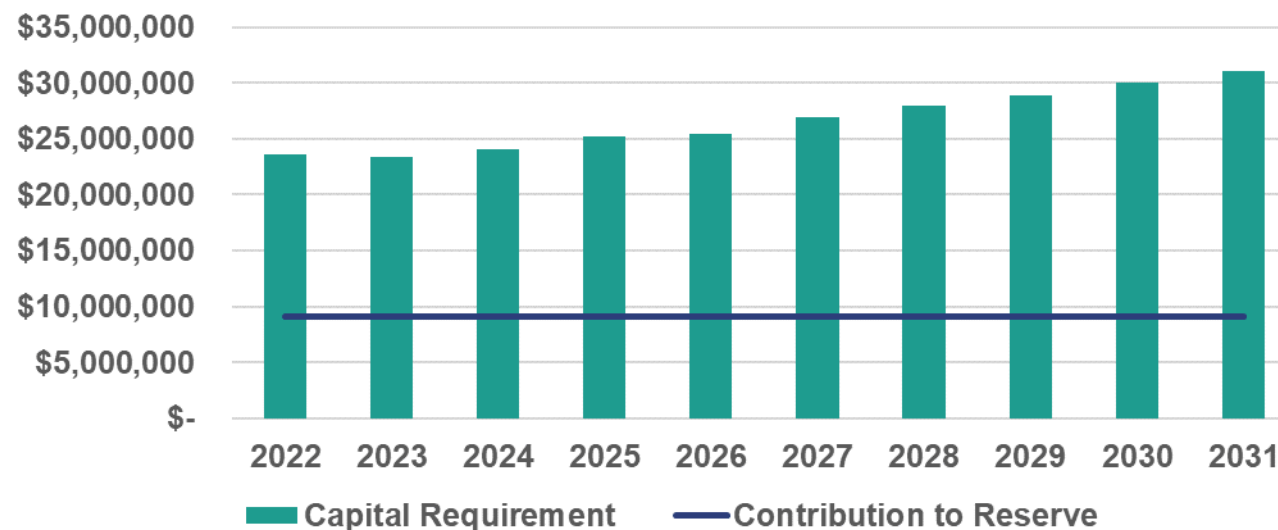
LRFP – Capital Forecast including KLPS and KLHHC



LRFP – Capital Financing including KLPS and KLHHC



LRFP – Capital Financing through Capital Reserves



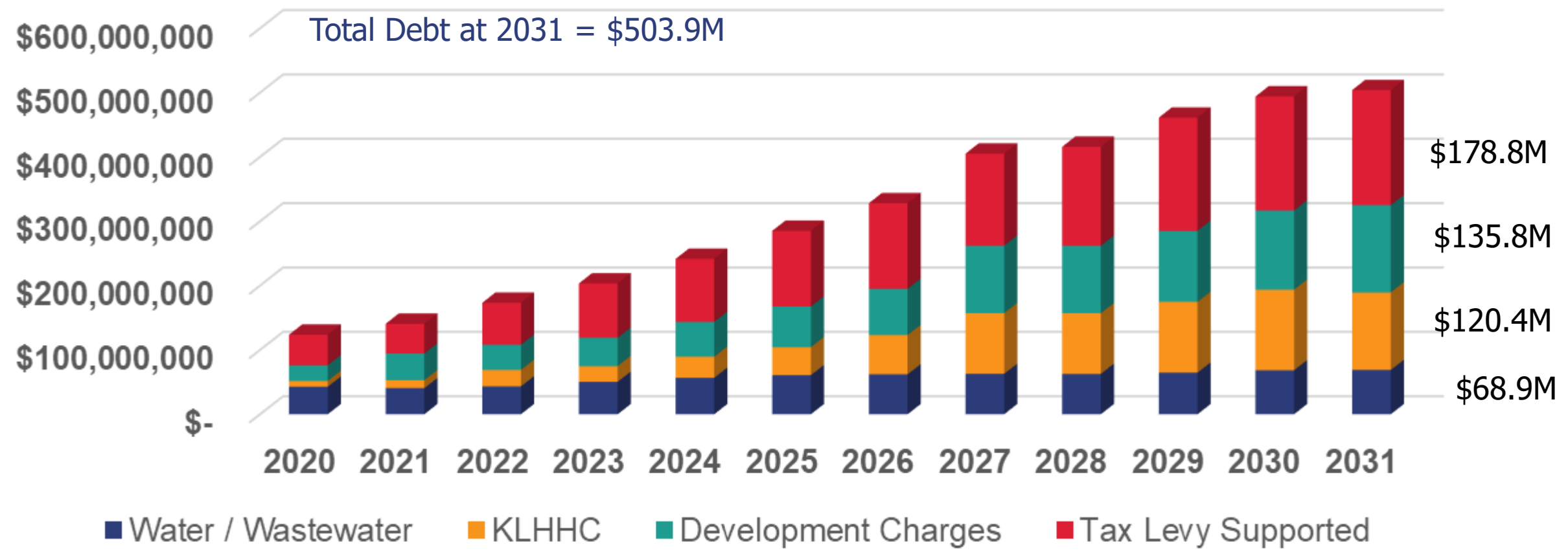
In Millions	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Capital Requirement	\$23.6	\$23.4	\$24.0	\$25.2	\$25.5	\$26.9	\$27.9	\$28.9	\$30.0	\$31.0
Available Funding	\$9.1	\$9.1	\$9.1	\$9.1	\$9.1	\$9.1	\$9.1	\$9.1	\$9.1	\$9.1
Tax Levy Requirement	12.0%	-	0.3%	0.8%	0.2%	0.9%	0.7%	0.6%	0.7%	0.6%

LRFP – Capital Financing from Development Charges

In Millions	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
DC Capital	\$8.1	\$9.8	\$13.6	\$10.8	\$9.6	\$17.3	\$20.4	\$9.1	\$16.3	\$19.3

- Currently, the financing costs (principal and interest) for outstanding Development Charge debt exceeds the forecasted annual revenue
- This is anticipated to continue throughout the forecast period, and the short fall in DC revenue to meet debt financing is anticipated to grow
- We are forecasting to spend more DC dollars than we expect to receive over the next 10 years

LRFP – Capital Debt Financing including KLPS and KLHHC



LRFP – Capital Debt Financing including KLPS and KLHHC

Debt Servicing Ratio = Debt Principal and Interest / Total Revenue

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Debt Servicing Ratio	6.1%	6.9%	7.5%	8.7%	10.2%	11.6%	13.3%	14.4%	15.4%	17.0%	19.8%	21.0%

Low: less than 5%

Moderate: between 5% and 10%

High: greater than 10%

Recommended not to exceed 7.5%

LRFP – Capital Forecast

Options for Council Consideration:

- review and reprioritize capital program
- create a dedicated capital tax levy
- review the self imposed debt limit
- create a debt policy supporting debt where the project “makes sense”
- create a development charge policy with options to minimize debt



Long Range Financial Plan Special Projects Forecast



LRFP – Special Projects Forecast

- Special Projects budget was new starting in 2020
- Intended to provide transparency to one-time projects and annual programs that are not capital related

Special Projects budget forecast in millions

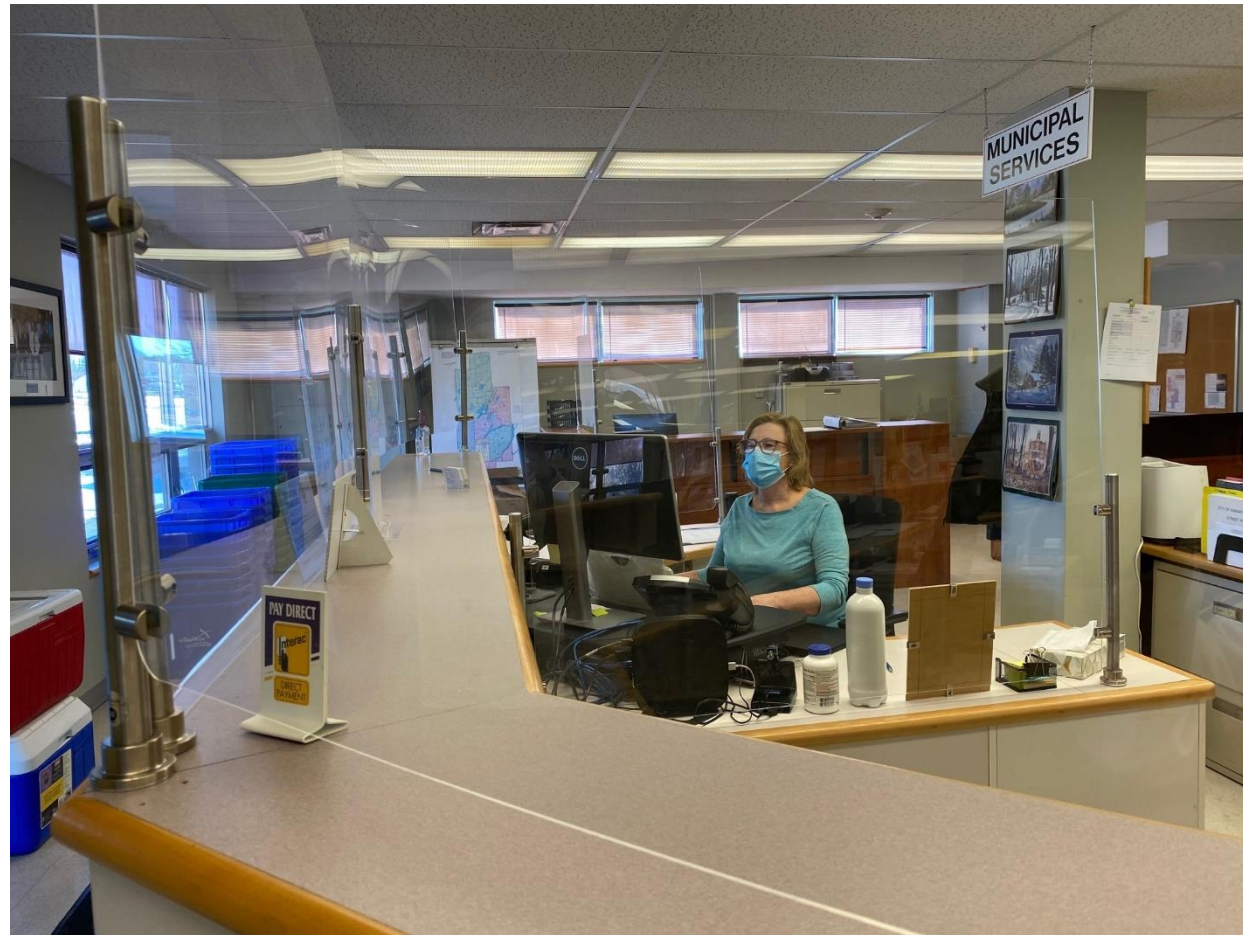
2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
\$1.83	\$2.71	\$2.00	\$2.50	\$2.30	\$2.61	\$1.83	\$2.08	\$2.11	\$2.16	\$2.08

LRFP – Special Projects Forecast

Options for Council consideration:

- Review and reprioritize special projects
- Stabilize special project tax supported funding through the creation of a funding limit and reserve to manage ebbs and flows

Long Range Financial Plan Operating Forecast



LRFP – Operating Forecast

Key Assumptions:

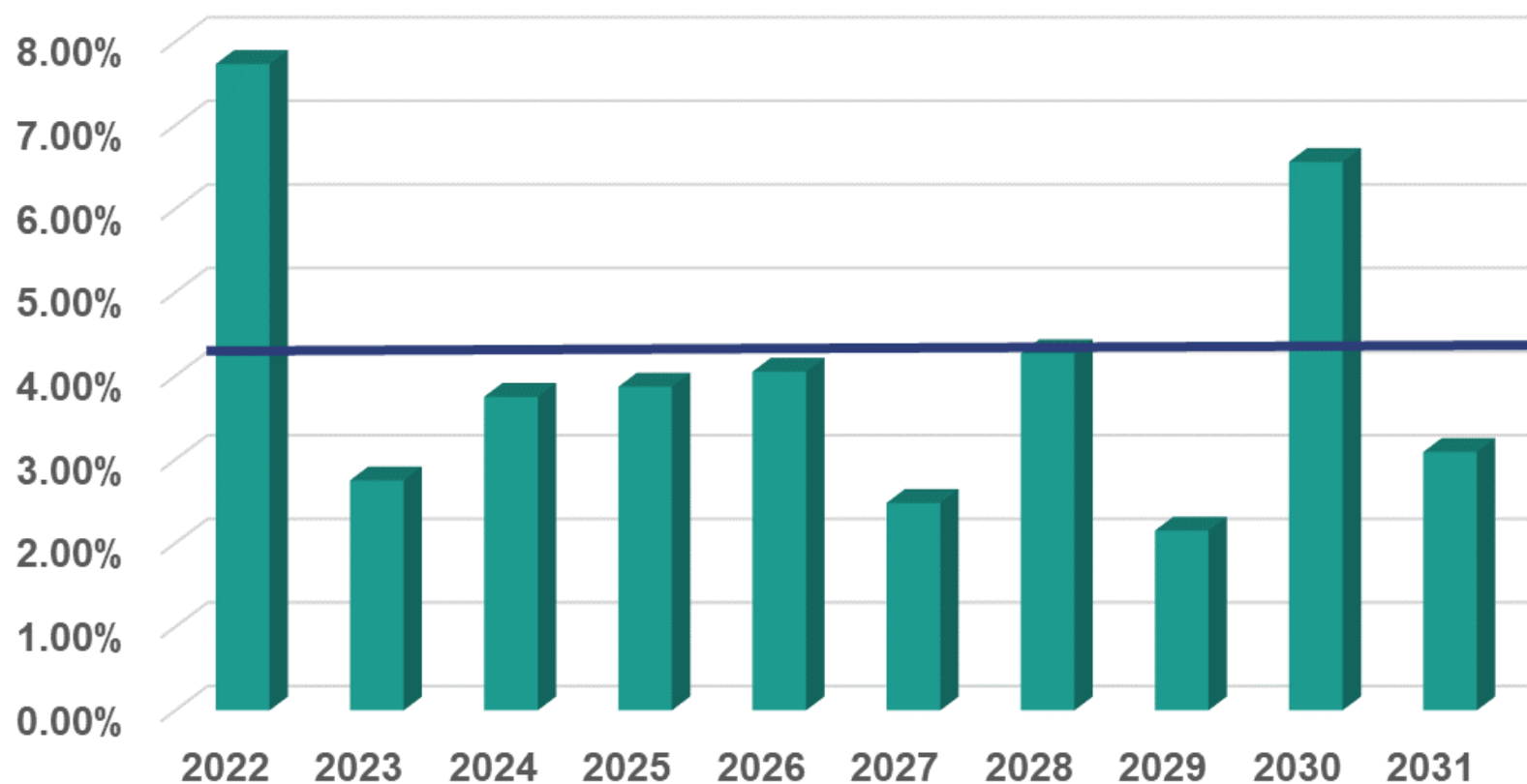
- 3% tax levy increase each year
- 1.25% growth related tax levy increase
- No increases in contributions to reserves, including Capital Reserve
- Wages and benefit increase for future collective bargaining
- Provision for new tax supported staff
- Winter control and waste cost escalation of 2% per year
- Assumes increases in non-tax revenue, where appropriate
- Assumes a decrease in the OMPF grant each year
- Includes principal and interest for all new debt

LRFP – Operating Forecast

In Millions	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Taxation	(\$1.22)	(\$1.27)	(\$1.32)	(\$1.38)	(\$1.44)	(\$1.50)	(\$1.57)	(\$1.63)	(\$1.70)	(\$1.78)
Other Revenue	\$3.02	(\$0.00)	\$0.00	(\$0.00)	(\$0.15)	(\$0.18)	(\$0.15)	(\$0.21)	(\$0.25)	(\$0.29)
Expenses	\$6.14	\$2.05	\$2.77	\$3.34	\$2.84	\$1.50	\$3.81	\$1.51	\$4.95	\$2.96
Debt Servicing	\$0.52	\$2.61	\$2.84	\$2.54	\$3.40	\$3.24	\$2.84	\$3.03	\$4.44	\$2.81
Total	\$8.46	\$3.29	\$4.30	\$4.44	\$4.65	\$3.05	\$4.93	\$2.70	\$7.44	\$3.71

LRFP – Operating Forecast

Required Tax Levy Increase



LRFP – Operating Forecast

Options for Council consideration:

- strategy to increase non-tax revenue
- review opportunities for service delivery changes and efficiencies
- increase targeted tax levy increase above 3%

Summary of Options for Consideration

Capital

- review and reprioritize capital program
- create a dedicated capital tax levy
- create a debt policy to minimize debt, maximize return
- create a development charge policy to minimize debt

Special Projects

- Review and reprioritize special projects
- stabilize special project tax supported funding

Operating

- strategy to increase non-tax revenue
- review opportunities for service delivery changes and efficiencies
- increase targeted tax levy increase above 3%

Next Steps

- Revisit the draft LRFP based on Council direction
- Complete the four supporting strategies (People, Revenue, Reserve, Debt)
- Present Council with an updated draft in Q3