Township of North Stormont Long Range Financial Plan

June 2018

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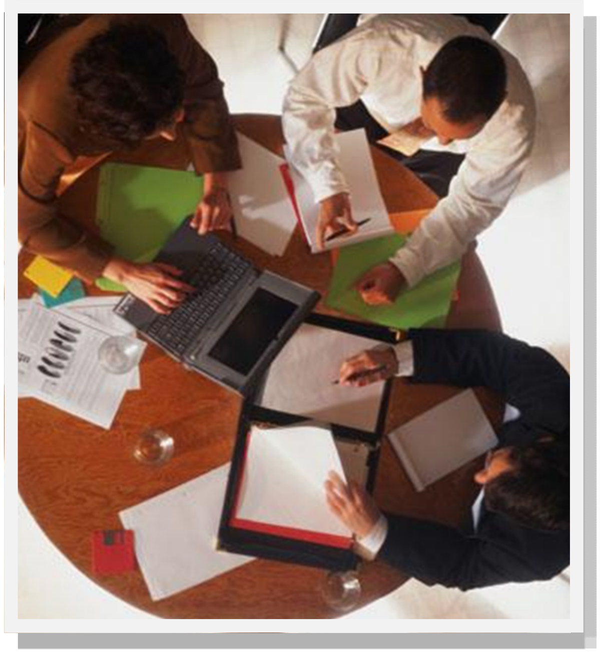

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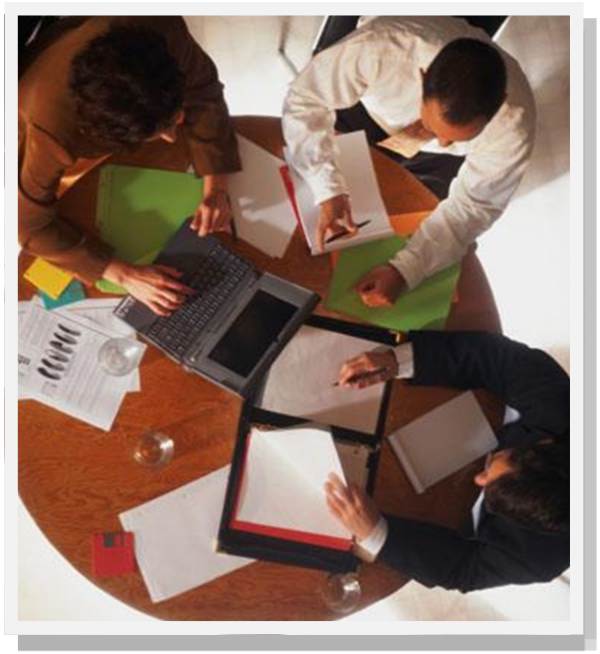


Long Range Financial Plan Introduction

What is a Long Range Financial Plan (LRFP)?

The Township of North Stormont, like other municipalities in Ontario, has to fund programs and services it provides within a limited funding framework. North Stormont must address rising costs, increased service responsibilities as a result of changing demographics and aging infrastructure with relatively flat revenue streams and limited ability to modify the services it provides. As such, financial planning and prioritization becomes critical to ensure the ongoing sustainability of the Township.

The Township of North Stormont continues to take ***a proactive approach*** by assessing financial implications of current and proposed strategic directions and priorities through the development of a Long Range Financial Plan (LRFP). The LRFP includes strategies, principles and policies to guide financial decision-making as well as a 20-year financial projection. The purpose of the LRFP is to measure the Township's capacity to meet operating needs as well as to implement the strategic priorities of Council. It creates a purposeful approach to long-term financial management and helps align short term actions with long term financial strategies.

The LRFP discusses the current challenges and opportunities and provides a financial forecast, consistent with the strategic direction of the Township. The goal is to ensure that the Township is in a sound financial position and can finance services to the public on a ***sustainable basis***.

Sources of Information Used to Develop the Long Range Financial Plan

- 2014-2018 Operating and Capital Budgets as well as actual expenditures and revenues (2014-2017)
- Asset Management Plan December 2017, prepared by Morrison Hershfield
- Reserve year end balances
- Existing debt schedules and planned debt issuances
- Current Value Assessment information (MPAC)
- Stats Canada population, household and income information
- Financial Statements 2016-2017
- Provincial Grant OCIP calculation for 2018-2019
- 2018 salary information
- Construction activity 2014-2017
- Economic Development Strategy (2016) prepared by MDB Insights
- Facing Our Fiscal Challenges – A Report on the Financial Sustainability of Local Government in Eastern Ontario, February 2012 – Eastern Ontario Warden's Council
- Financial Sustainability of Local Governments in Eastern Ontario, Produced by, The Eastern Ontario Wardens' Caucus August 2013, Prepared by, Kathryn Wood, Natural Capital Resources Inc.
- County of Stormont, Dundas and Glengarry, Hemson Growth Study

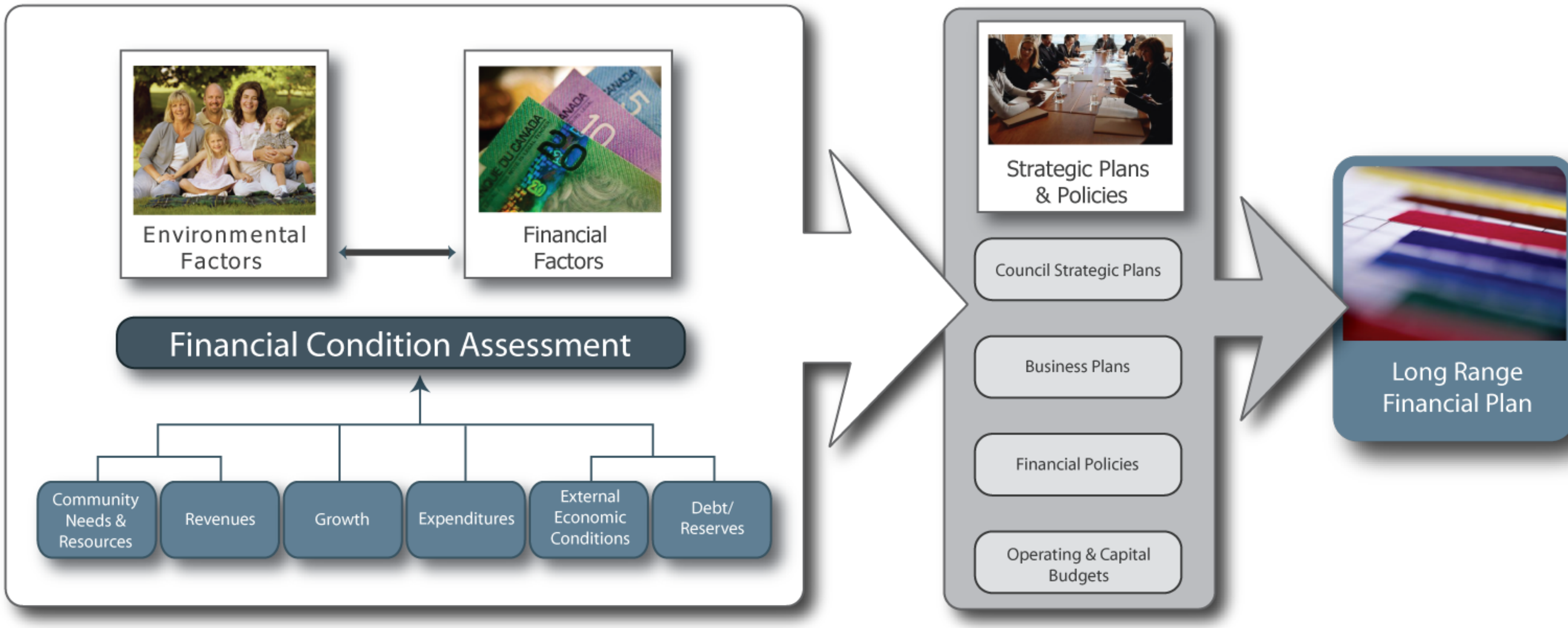
Benefits to Long Range Financial Planning

- ✓ Examines fiscal trends (past and future)
- ✓ Identifies fiscal issues and opportunities
- ✓ Increases communication & awareness
- ✓ Stimulates long-term thinking
- ✓ Helps establish fiscal policies and goals
- ✓ Stimulates alternative approaches to solve future challenges
- ✓ Provides the necessary information to establish feasible solutions and decisions
- ✓ Identifies implications of fiscal decisions
- ✓ Helps develop an action plan
- ✓ Provides a tool to monitor progress against Council approved plans
- ✓ Provides financial transparency and accountability
- ✓ Provides a consolidated view

Better Information = Better Decisions

LRFP Process

The following diagram provides an overview of the building blocks used to develop the Township's LRFP:



A LRFP can have a significant practical impact on North Stormont's approach to planning, control and overall management of its programs, services and finances and on the quality of information provided to stakeholders. ***Staff consultation were instrumental in the development of the LRFP***. The first step in the preparation of the Long Range Financial Plan was to undertake a ***Financial Condition Assessment.*** This was completed in a separate report and provided a 5 year historical trend and peer comparison using multiple financial and socio-economic indicators. The next phase in the process was to work with staff in the development of the ***Financial Forecasting Model and Financial Policies*** with a focus on designing the system to support future decision-making.

General Approach to Preparing the Township's LRFP

The LRFP provides a projection of the Township's operating and capital requirements and statement of financial position over a 20 year time horizon. The LRFP identifies the key financial strategies that will provide the foundation for a sustainable long-term financial future.

The LRFP takes into account:

- The annual and cumulative infrastructure gap;
- Expected revenues for each year and their source;
- Performance measures to enable assessment of the Council's strategic priorities; and
- Sensitivity analysis on key assumptions most likely to affect long-range financial planning and sustainability to ensure that the Township is aware of the key levers that will impact the LRFP and that should be monitored over time.

The LRFP is Dynamic—Regular Updates Will Be Undertaken

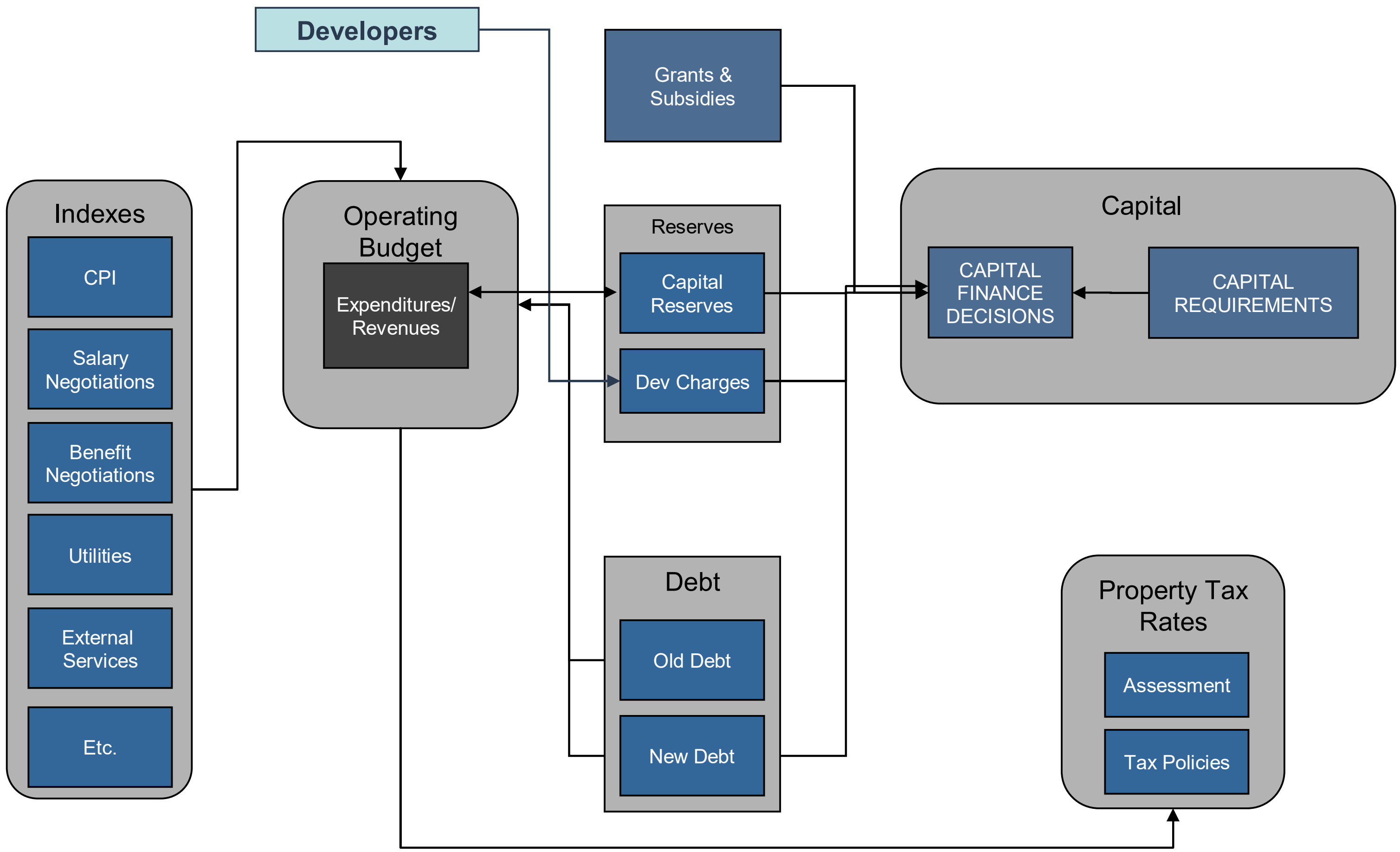
Although great effort has been made to present accurate financial projections, based upon the data available at this time, a LRFP is a dynamic document and should be updated and re-evaluated, on an ongoing basis. As such, the LRFP should be considered a work-in-progress. It is not an exercise in precision, rather it is intended for use as a forecasting tool to ensure that the Township is on the right course to meet its financial obligations and future challenges.

A financial model has been developed to allow staff to update the LRFP as new data and assumptions become available. The intent is to provide Council with regular updates to this document, so it will be useful in the ongoing cycle of business planning and budgeting. It is anticipated that updates to the LRFP will be required as assumptions, projections and strategies change over time.

It is recommended that the assumptions used in the LRFP be modified and refined, at least annually and as new information becomes available that could materially change the forecast.

Model Development

The Long Range Forecast is developed based on an analysis of all factors impacting the capital and operating budget. This forecast includes assumptions with respect to growth, changes in assessment, development charge revenues, interest rates impacting reserves and debt issuance and the Township's financial policies. As shown below, due to the inter-relationship between all components of the plan, changes in any of the assumptions will potentially have an impact throughout the LRFP.



Financial Health (Financial Condition Assessment) Summary

(See Separate Report for additional detail)

North Stormont's Strengths/Opportunities to Support Future Growth and Financial Sustainability

- ***Controlled Municipal Spending***—Efforts have been made annually to control municipal spending and this is reflective in lower than average municipal levy per capita and per $100,000 of assessment in relation to peer municipalities. However, the levy and associated property tax increases to properties has been volatile as a result of reliance on grant funding and one time expenditures.

- ***Population***—After experiencing a declining from 1996-2011, the Township's population increased in the last 5 years by approximately 1.4% (2011-2016). It terms of future population growth, the Township offers several positives including its strategic location between Ottawa and Montreal which provides it quick access to markets and the Township has invested in updated broadband. However, forecast growth continues time be low, consistent with other Eastern Ontario municipalities.

- ***Construction Activity***—The construction activity in North Stormont has increased from 2014-2017 and reflects a good mix of residential and non-residential construction.

- ***Top-Up Funding from OCIF—***The Township may apply for capital grants for projects of priority and to support health and safety. Estimated at the potential for $1.8 million in grant funding in 2019 should the Township apply for a grant.

- ***Low Levels of Debt***—The Township has a relatively low level of debt outstanding in relation to the Provincial maximum. While there is new debt planned for 2018 to purchase fire trucks, the forecast reflects some flexibility should the Township need to expedite capital projects that support health and safety and are identified as a priority.

- ***Competitive Tax Policies***—Low tax ratios for non-residential properties supports economic development. These are set by the County.

- ***Relatively Newer Assets***—The City benefits from a lower than average asset consumption ratio for all assets which reflects a newer asset base with less immediate needs for asset replacement than many other peer municipalities. While there is a recognized infrastructure gap which will be described later in the report, the immediate needs in North Stormont for some assets is low. There are however, areas of concern specifically in vehicles and equipment.

- ***Wind Turbine Revenues***—The Township will be receiving wind turbine revenues annually (estimated at $300,000) commencing in 2018 which will provide additional financial resources which can be used to fund community based projects and the capital program in accordance with the agreement.

North Stormont's Strengths/Opportunities to Support Future Growth and Financial Sustainability

- ***Development Charges***—New capital assets required to accommodate growth can be recovered from developers under the Development Charges Act rather than from current taxpayers. The Township has not implemented development charges. Should the Township anticipate increase in growth whereby the growth will create a need for new assets, this is a new revenue source that the Township may wish to consider.

- ***Stabilization Reserve Balances***—The Township's Stabilization Reserve (Working Capital) is higher than the target levels recommended by GFOA and credit rating agencies, providing an opportunity to reallocate excess funds to Capital Reserves. This is recommended as part of the LRFP

- ***Taxpayer Affordability***—The Township's municipal tax burden for a typical residential customer in relation to household income is the lowest in the peer municipalities surveyed which supports affordability and aligns with industry standards.

- ***Higher Household Incomes Level***s—The average household income in North Stormont is also higher than the Ontario average and the Township has a high proportion of residents with college or university educations indicating a strong local skilled labour force.

Future Challenges/Risks

- ***Increasing Costs***—Many of the Township's costs are not directly controlled by the municipality (e.g. County services) and the Township is attracting a larger proportion of the County levy as a result of reassessment.

- ***Predictability and Over-Reliance on Provincial Sources of Funding***—Over the past 10 years, there have been changes in the formulas and sources of funding available to municipalities through the OMPF grant and the OCIP grant which makes future forecasting a challenge. Based on the most current information available, there is a forecast decline in the OMPF grant which exceeds the forecast increase in the OCIF grant. This will pose future challenges to the Township unless the Province's funding formulas are revised.

- It is well established that the condition of Canada's municipal infrastructure is one of the keys to underpinning, maintaining and enhancing Canada's economic productivity and competitiveness. It is therefore clearly in the national and provincial interests for the federal and provincial government to institute permanent and sustainable infrastructure funding.

- ***Taxes Receivable***—While trending in the right direction, the Township's taxes receivable continues to be slightly above the expected levels of outstanding balances.

- ***Low Assessment Base***—North Stormont has a limited base from which to pay for local services. Further, there is a heavy reliance on residential tax assessment (due to limited commercial or industrial assessment), which means that individual households are carrying almost all the load in terms of paying for local services. In 2018, 91.3% of the municipal property taxes raised are in the residential and farmland property classification compared with a survey average across Ontario municipalities 105 municipalities of 76.2%.

- ***Geographically Dispersed Population***—The highly dispersed population poses challenges to local governments' ability to generate sufficient revenues to sustain services and often to deliver those services in a cost-effective manner.

- ***Infrastructure Funding Gap***—The Township's infrastructure gap is growing as the Township's annual contributions towards capital renewal is lower than required, as identified in the Asset Management Plan. Due to funding constraints, not all asset renewal needs can be funded over the next 20 years. This will require a focus on needs assessment and prioritization of assets to be replaced.

Future Challenges/Risks

- ***Relatively Low Capital Reserves***—The Township has relatively low levels of capital reserves in relation to the asset base. The forecast includes provisions to gradually increase the availability of capital reserve contributions.

- ***Limited Forecast Assessment Growth***—Consistent with the case in many Eastern rural communities, there is limited forecast assessment growth to help support municipal programs and services.

- ***Tax Resistance***—Although North Stormont's residential property taxes are low, there is pressure to control tax increases. This is particularly challenging given that the Township controls only 30% of the total property taxes collected in North Stormont.

Developing a Financially Sustainable Plan

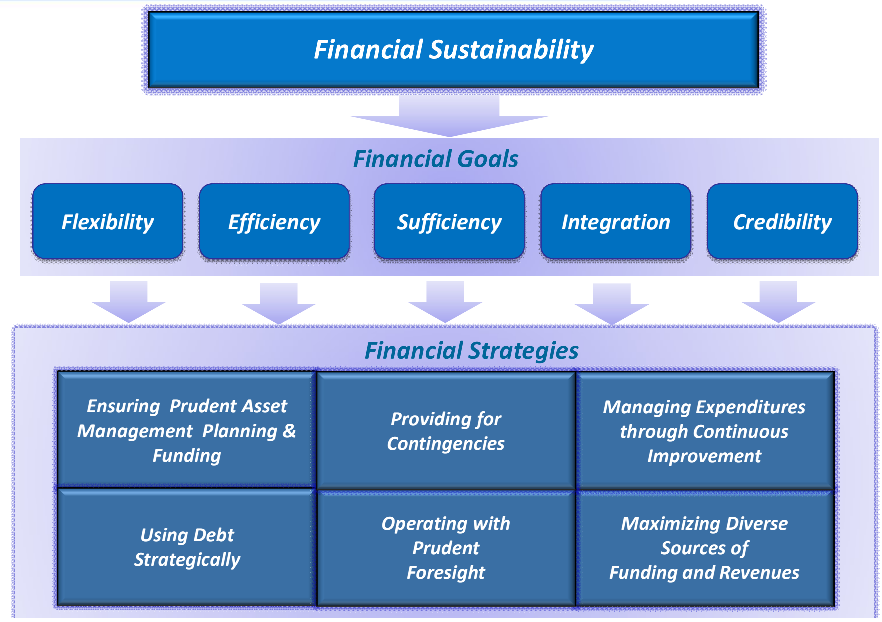
Recommended Policies and Strategies

Financial Sustainability

The LRFP is based on a key principle; ***Financial Sustainability*** which is defined as the enduring ability of the Township to ensure that it can deliver the level and types of programs and services to the community, while proactively assessing and managing associated risks, at acceptable levels of taxation and fees. Financial Sustainability is supported by the following ***financial goals***:

- ***Flexibility*** - Able to respond to changing circumstances, which may relate to economic, social, environmental or political conditions.
- ***Efficiency*** - Using public funds in ways that are cost effective to provide services within the amount of funding available.
- ***Sufficiency*** - Having sufficient resources to support the delivery of services for which the Township of North Stormont bears responsibility.
- ***Integration*** - Ensuring the financial constraints under which the Township operates are fully considered when engaging in policy-making and decision-making.
- ***Credibility*** - Achieving financial performance in a way that maintains and enhances public confidence in the municipal corporation.

The following illustrates the supporting financial goals and strategies that have been used in the development of the LRFP.



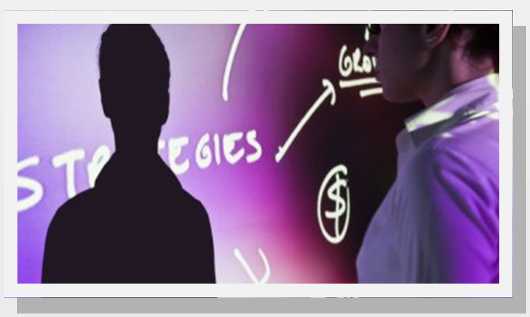
The next section of the report provides an overview of the financial strategies recommended. These financial strategies were developed to help ***ensure that North Stormont continues to operate in a financially sustainable manner***.

Ensuring Prudent Asset Management Planning and Funding

What Is It?

Asset management is often defined as a framework – a "way of thinking" that is built around a "body of best practices". This way of thinking and the body of best practices focus on seeking the lowest total lifecycle cost of ownership for infrastructure assets while continuously delivering services at a level residents require and are willing to pay for, and at an acceptable level of risk to the community.

It is a systematic process of maintaining, upgrading and operating physical assets cost effectively. Ensuring adequate funding recognizes the challenges facing the Township of North Stormont due to the need to fund infrastructure renewal needs, lifecycle replacement, operating commitments and new initiatives.



Background

- North Stormont's capital asset funding requirements continue to increase as existing infrastructure and equipment ages.
- There is currently an infrastructure funding gap which will require time to address, consistent with the situation in virtually all Canadian municipalities.
- The Township has recently undertaken a detailed Asset Management Plan.
- The capital budget is only for one year and the net requirements are funded from the Operating Budget. Capital requirements vary from year to year, resulting in volatility and a degree of unpredictability in the property tax rates. A longer term capital budget will help focus attention on the Township's capital needs and financial capacity. The Township in the past has reduced its capital plan in order to balance the Operating Budget. Having a 5-10 year Capital Budget helps plan to maintain a consistent level of capital funding.

Excerpts from the Asset Management Plan (AMP)

The Township of North Stormont's vision and goal is to have a safe, sustainable and economically vibrant community supported by well-managed infrastructure. These assets include municipal buildings, equipment and vehicles, roadways, bridges and reliable drinking water treatment and distribution and wastewater treatment and conveyance. The AMP provides the financial basis for the investment needed to meet the expected performance levels needed to support the Township's goals.

The Township of North Stormont has a capital asset value of $422 million. Based on the available information on the condition of the assets, the Township will need to invest $11 million per year over the next 5 years and $4.2 million per year over the following 10 years. Generally, the Township needs to plan for a capital investment of about 1.5% of the total capital asset value per year or about $6.4 million per year in 2017 dollars. This compares to the historical capital investment of about $1.5 million per year.

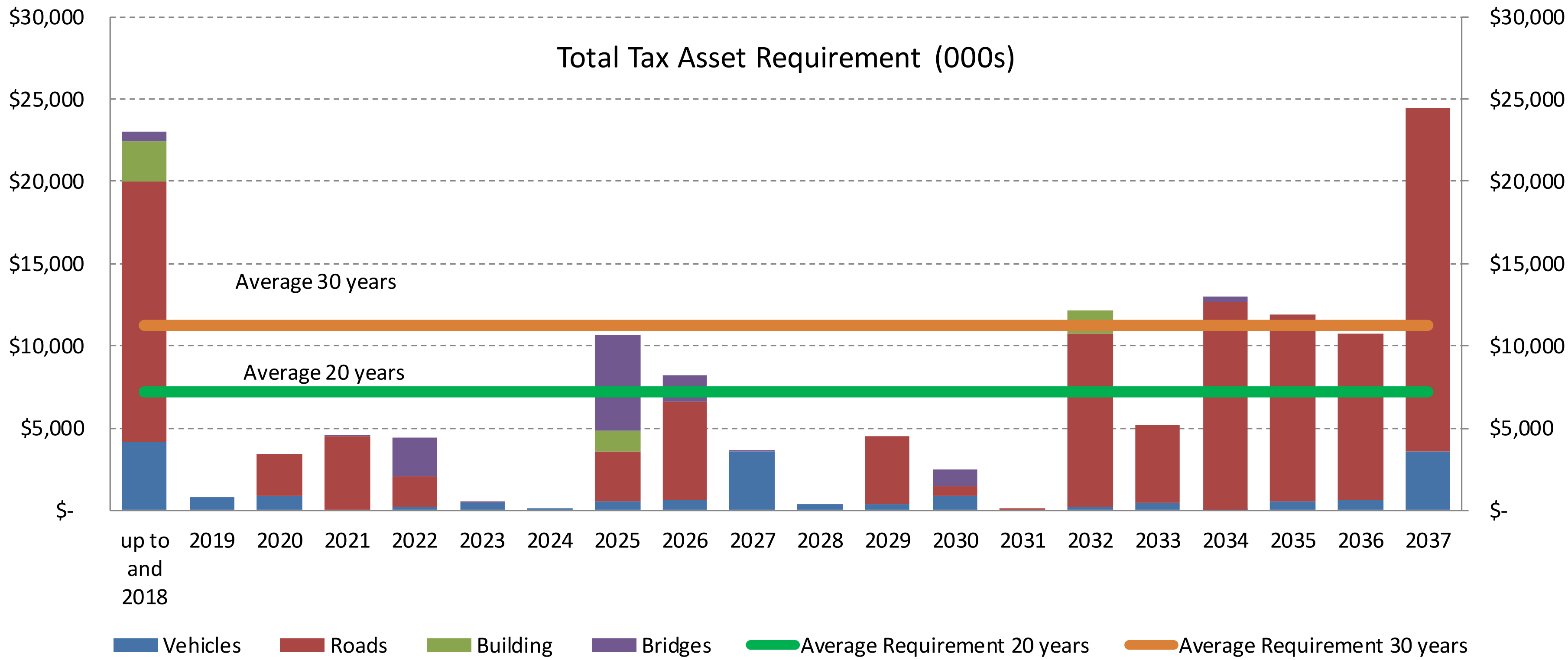
Analysis

Using the information available in the Township's 2017 AMP, the following summarizes the replacement cost of the assets that are beyond their expected lifecycle for tax supported programs.

	Total Assets Beyond Lifecycle
Vehicles	**$ 4,185,448**
General Vehicles	$ 3,854,506
Fire	$ 330,942
Transit	$ -
Bridges	**$ 597,204**
Bridge	$ 500,580
Culvert	$ 96,624
Roads	**$ 15,820,907**
Asphalt	$ 9,471,099
Gravel/Stone/Other	$ 4,282,037
High Class Bituminous	$ 1,408,971
Surface Treatment	$ 658,800
Building	**$ 2,397,639**
Total	**$ 23,001,198**

- As shown above, there are $23.0 million in assets that are past their theoretical useful life. As stated in the AMP, the Vehicles noted above are generally considered in poor condition.

- Insufficient information was available on the condition of roads, however, given the significant requirements, the LRFP includes a plan to gradually increase capital contributions.



- The above graph reflects the requirements for replacement of assets over the next 30 years for tax supported assets.
- Over the next 20 years, there is an estimated need to replace, on average $7.2 million <u>annually</u> in capital assets.
- Over the next 30 years, there is an estimated need to replace, on average $11.2 million <u>annually</u> in capital assets.
- Appendix A provides additional detail from the Asset Management Plan.

Infrastructure Gap

		2018
Provincial Gas Tax	$	215,790
OCIF Funding	$	75,857
Contribution to Capital from Levy	$	264,437
Total Capital Contribution	$	556,085
Annual Recommended Contribution		
20 Year Annual Contribution	$	7,214,548
Annual Funding Gap	$	(6,658,464)

- As shown above, in 2018 the capital contributions totaled approximately $556,000 toward tax capital programs, including the contributions from Provincial sources of funding, well below the annual requirements of $7.2 million that is suggested in the AMP. To close this gap would require the levy to increase more than double its current level.
- A common financial indicator used to determine the adequacy of reserves that support infrastructure, is to compare the infrastructure reserve balances in relation to the accumulated amortization. Ideally, this ratio should be 100% or greater, meaning that the amount available in reserves at any time is equal to the amount of assets that has been depreciated or used (based on an historical cost basis).
- This is based on the principle that the Township should set aside funds, on a regular and planned basis, to support infrastructure renewal.
- Infrastructure Sustainability Reserve Ratio for tax supported capital programs is ***7%-16%, well below the recommended 100% ratio***. This calculation is based on the theoretical useful life of assets as reflected in the Township's PSAB policy. The actual reserve requirements should be based on asset condition assessments for every asset. However, this measure is still valuable as an estimate of the potential reserve requirements based on the existing assets.

	2017 Ending Balances		
	Reserve Balance (000s)	Accumulated Amortization (000s)	Infrastructure Sustainability Ratio
Total Available Reserves	$ 1,958	$ 12,525	16%
Capital Reserves	$ 827	$ 12,525	7%

- In summary, the Township's Capital Reserves are underfunded and there is a significant infrastructure gap and a goal of the LRFP is to gradually close the gap by increasing capital contributions.
- To address the growing infrastructure gap and place discipline into the decision-making, an option that could be implemented is to establish a special infrastructure levy for the replacement of existing infrastructure. This compounds annually and will help close the infrastructure gap.

Guiding Principles—Asset Management

- Asset management strategies will be built on identifying the replacement costs and improving the forecasting of service demands and costs.
- Regular reviews of the remaining life and condition of assets will be undertaken to anticipate and plan for infrastructure renewal and will be incorporated into the Capital Budget.
- A focus on renewal could consume every available dollar. While recognizing the priority of renewal, some resources will be allocated for additions reflecting the highest priority needs of the community.
- All assets will be maintained at a level that protects capital investment and minimizes future maintenance and replacement costs. The Township will consider the cost of delaying repairs/replacement compared to the cost to restore at the appropriate time.
- The Township will incorporate infrastructure asset management processes and systems to better quantify existing and future infrastructure needs.

Policies and Strategies—Asset Management

1. The Township will maintain all infrastructure in a state of good repair by implementing life cycle costing and providing annual contributions to the Capital Reserves to fund the renewal of assets based on a rate which reflects the consumption of that asset by current taxpayers.
2. Capital Reserves will be used to fund the replacement or refurbishment of <u>existing assets</u> and managed on a consolidated basis for effective management of the capital financing program.
3. Contributions to the Capital Reserves will be funded through calculated annual contributions from the Operating Budget based on capital replacement costs.
4. Based on affordability considerations, a phase-in strategy will be developed for inclusion in the annual preparation of the Operating and Capital Budgets.
5. A 5 year Capital Budget will be annually presented to Council, including anticipated funding sources, reserves and debt forecasts.

Recommendations—Asset Management

1. ***Establish a 5 year capital plan and smooth the contributions from the Operating Budget.***

2. ***That the Township implement additional strategies to address the infrastructure gap. These include:***

   - ***Gradually increasing contributions for the replacement of existing assets through planned contributions;***
   - ***Establishing a special infrastructure levy;***
   - ***Redistribution of existing reserve balances (Capital and Stabilization);***
   - ***Strategically issuing debt;***
   - ***Utilizing a portion of the Wind Turbine annual revenues for the capital program (discussed in further detail later in the report); and***
   - ***Prioritizing capital replacement projects***

Providing for Contingencies

What Is It?

Municipalities provide for contingencies in a number of ways including maintaining appropriate Stabilization Reserve balances to address unforeseen future events and future risks and liabilities. Stabilization reserves are used to:

- offset extraordinary and unforeseen expenditure requirements;
- fund one-time expenditures;
- fund one-time revenue shortfalls;
- avoid fluctuations on the tax levy;
- manage cash flows; and
- provide sufficient liquidity.

Background

- North Stormont has a long standing practice of ensuring that there are sufficient contingency funds available to address unforeseen events as they occur.
- The Township has a reserve referred to as Working Capital which is essentially the reserve to offset extraordinary and unforeseen expenditure requirements, one-time expenditures, revenue shortfalls and to manage cash flows. This is often referred to as a Stabilization Reserve.

Analysis

- Government Finance Officers' Association (GFOA) recommends that municipalities maintain Stabilization Reserves for the general tax base within a target range of 10% -15% of own source revenues to provide sufficient liquidity and protection against unforeseen events.
- North Stormont's Working Capital Reserve balance is currently at the $1.09 million which is equivalent to 25% of Own Source Revenues. This provides an opportunity to reallocate a portion of the Township's existing Working Capital Reserve to fund capital programs.

- The following table summarizes the existing Reserves and Reserve Funds:

	Ending Balance 2017
Tax Stabilization (Working Capital)	$1,088,087
Election Reserve	$ 15,000
Landfill site	$ 20,000
Federal Gas Tax Reserve Fund	$ 4,926
Medical Centre Reserve	$ 2,801
Consolidated Tax Capital Reserve	
Roads Reserves	$ 402,000
Reserve for Capital Expenditures	$ 67,039
Fire Departments Reserve	$ 212,700
Arena Reserve	$ -
Infrastructure Reserve	$ 145,070
Total Tax Supported Reserves/RF	$1,957,623

- Currently there are five reserves specifically set aside for capital. Consolidating these accounts would provide the Township with more flexibility to fund capital needs based on the highest priority on a corporate basis.

- The following table summarizes the recommended Reserve reallocation and consolidation strategy to improve flexibility and support financial sustainability:

	2018 Restated Beginning Balance
Tax Stabilization Reserve	$ 649,401
Election Reserve	$ 15,000
Landfill site	$ 20,000
Federal Gas Tax Reserve Fund	$ 4,926
Medical Centre Reserve	$ 2,801
Capital & Infrastructure Reserve	$1,265,496
Total	$1,957,623

- The approach is to consolidate capital and infrastructure reserves to improve financial flexibility and the reallocated surplus funds in Working Capital to the Capital and Infrastructure Reserve.

Guiding Principles—Providing for Contingencies

- A prudent level of Stabilization Reserves will be maintained to protect against reducing service levels or raising taxes because of temporary revenue shortfalls or unanticipated expenditures.
- Minimum balances, ceilings and targets will be established, where appropriate, to provide a guideline for Stabilization Reserve balances.

Policies and Strategies—Providing for Contingencies

1. The Township will maintain a Stabilization Reserve which will only be used for extraordinary or one-time expenditures including previous years' operating deficits.
2. The target balance for the consolidated Tax Stabilization Reserve will be set at 10%-15% of the Township's tax own source revenues.
3. When the Tax Stabilization Reserve balance is lower than 10% of Own Source Revenues, year end operating surpluses will be transferred to the Tax Stabilization Reserve.

Recommendations—Providing for Contingencies

1. ***To improve flexibility and to assist in prioritizing capital requirements on an annual basis, consolidate all Tax Capital Reserves.***
2. ***Maintain the recommended maximum 15% and a minimum of no less than 10% in the Working Capital Reserve (to be renamed Tax Stabilization Reserve).***
3. ***Transfer the excess funds in the Township's Working Capital Reserve to the to the consolidated Capital and Infrastructure Reserve (estimated to be $439,000).***

Using Debt Strategically

What Is It?

Using debt strategically can provide capital funding flexibility by allowing certain infrastructure to be built and used before sufficient revenue has accumulated to offset the needed investment. Debt is frequently issued and considered a standard practice in municipalities for capital projects that are long term in nature and that benefit future taxpayers, thereby spreading the costs across future years. As such, debt promotes inter-generational equity in that infrastructure is paid for by those who use it.

While some may argue that a municipality that is free of debt is good public policy, it is not when the infrastructure that supports a community's current and future economic success is allowed to deteriorate however increasing levels of debt that are growing faster than tax revenues will put pressure on other programs and future capital priorities and reduce the amount of discretionary spending in the operating budget.

To mitigate these concerns, municipalities need to strike a balance with debt. Too little debt can severely restrict the funds available for financing infrastructure, while too much debt is fiscally unsustainable over the long-term.

A debt management policy improves the quality of decisions, identifies policy goals and demonstrates a commitment to long-term financial planning, including a multi-year plan. Adherence to a debt management plan signals to rating agencies and capital markets that the municipality is well managed and is well positioned to meet its obligations in a timely manner.

Hence, municipalities need to ensure that:

- Future debt service payments can be made in full and on time, without jeopardizing the provision of essential services;
- Outstanding debt obligations will not threaten long-term financial stability of the municipality; and
- The amount of outstanding debt will not place undue burden on residents and businesses.

Background

- The Province regulates the amount of debt municipalities issue by setting an annual repayment limit for each municipality (25% of a municipality's own source revenues).
- The Township of North Stormont does not have a debt policy beyond that which is mandated through the Province but the Township has maintained low debt levels as an operating practice.

Analysis

- North Stormont's existing tax-related debt is at 9% (2017) year end of own source revenues, well below the Provincial maximum of 25%.
- The following table reflects the debt outstanding at year end 2017:

		2017
Public Works Vehicles	$	375,519
Arena Retrofit	$	1,331,635
Crysler Rink	$	156,301
Avonmore	$	48,195
Water Trucks	$	346,164
Snow Plow	$	175,325
LED Lights	$	91,302
Total	$	2,524,440

- In 2018, there is approximately $575,000 in debt planned to be issued for Fire trucks. This will increase debt outstanding but the debt charges as a percentage of own source revenues will still be well below the Provincial threshold.
- Some municipalities establish annual debt issuances to address priority projects where past funding has not been set aside for the replacement of an ongoing spending requirement that is relatively predictable such as a roads replacement program. Although more costly due to the addition of interest costs, the overall substantial value of this asset and its lengthy life cycle may support the use of debt, particularly when the cost of deferral exceeds the interest cost.
- Given the significant infrastructure annual funding deficit and the amount of assets that are past their useful life, optional strategies have been included in the LRFP to incorporate the use of debt in a planned manner to address key areas where issues exist.

Guiding Principals—Debt Management

- GFOA recommends that municipalities adopt policies to identify the maximum amount of debt that should be outstanding at any time.
- In addition to a debt guideline, monitoring also becomes important when considering the idea of the increased use of debt as a funding source to ensure that it is being used in a fiscally responsible manner. GFOA recommends that municipalities adopt policies that specify appropriate uses for debt.
- Debt will be proportionate to the Township's tax base and will not put an excessive burden on operating expenditures.
- Outstanding and planned debt levels will not exceed an amount that can be supported by the existing and projected tax revenue base. Debt policies will focus on:
    - projected debt requirement;
    - limits and benchmarks;
    - term and structure of debt; and
    - use of reserves to offset debt issuance.

Policies and Strategies—Debt Management

1. Long term debt financing will be considered for:
    - Addressing funding where the project supports health and safety and no other sources of funds are available
    - Increased/new services to residents for new initiatives
    - Projects which are supported by a business plan that show revenues will cover capital and interest costs
    - Projects where the cost of deferring expenditures exceeds debt servicing costs
    - Projects tied to third party matching funding (e.g. Provincial Grants)

    Note: These restrictions may have to be phased in to meet short term budget challenges.

3. The length of the term of debt will not exceed the useful life of the underlying asset.
4. The Township will monitor and report on all forms of debt annually.

Recommendations—Debt Management

1. Tax Debt Charges as a percentage of Tax Own Source Revenues will not exceed 10%.

Operating With Prudent Foresight

What Is It?

The Township of North Stormont, like other municipalities in Ontario has to fund programs and services it provides within a limited funding framework—namely, it must address rising costs, increased service responsibilities and aging infrastructure with relatively flat revenue streams and limited ability to modify the services it provides. The financial environment for municipal government has fundamentally changed. As such, financial planning becomes critical to ensure the ongoing sustainability of the municipality.

To operate with prudent foresight requires the development and maintenance of a multi-year budget, identifying trends that may potentially impact the Township's ability to meet its goals and objectives. It allows the Township to adapt and/or plan to meet the challenges created by these trends.

Background

- Council has actively participated in the development of a number of forecast reviews such as the Economic Development Strategy and Action Plan and the Asset Management Plan which helps to set the course for North Stormont's future.

Guiding Principles—Operating with Prudent Foresight

- Financial planning expands an awareness of options, potential problems and opportunities, helps shape decisions and permits necessary corrective actions to be taken before problems become more severe.

- Financial planning includes the development of specific policies, plans and management strategies to achieve long term goals. Goals provide overall direction for the municipality and serve as a basis for decision-making.

Policies and Strategies—Operating with Prudent Foresight

1. The Township will maintain a Long Range Financial Plan to assess the long-term financial implications of current and proposed policies.

2. The Operating and Capital Budgets will be aligned with the Township's Long Range Financial Plan.

3. Financial trends will be monitored closely through the use of key financial indicators which will be reported to Council on an annual basis as part of the budget and financial planning process.

Managing Expenditures through Continuous Improvement

What Is It?

A cornerstone of a highly effective and efficient Township is its ability to identify and implement opportunities to improve through innovative programs and service delivery strategies. In the cycle of continuous improvement, defining service levels and developing performance measures plays an important role in:

- Strengthening accountability
- Establishing an understanding between staff, Council and the community of the expected results or service standards in each area
- Identifying and tracking progress against organizational goals
- Identifying opportunities for improvement
- Ensuring community requirements are being met
- Improving the budget process

Background

- With cost pressures being inevitable, the Township will be forced to look at alternative and different methods of providing service to the community.

Analysis

- As shown in the financial condition assessment, the combined Lower and Upper Tier average annual levy increases over the past several years has exceeded inflation which poses concerns from an affordability perspective. This coupled with a need to increase capital contributions to support the timely replacement of assets places additional pressure on the Township to identify potential opportunities for efficiencies in it operations.

Guiding Principles - Continuous Improvement

- North Stormont will continue its quest toward improved efficiencies in order to provide better value for the existing tax dollars and create additional financial flexibility.
- Changes in community conditions or other factors may result in a program or service no longer addressing the needs it was intended to serve. The Township will adjust its policies, programs and management strategies during the budget, based on its assessment of performance.
- Service levels will be defined and linked to efficiency, quality, effectiveness and program outcomes.

Policies and Strategies—Continuous Improvement

1. Program and service reviews will to be undertaken to ensure that they are provided in an efficient and cost effective manner and meet the needs and priorities of the community.
2. Efficiency gains will be directed to fund infrastructure programs.

Maximizing Revenue Opportunities

What Is It?

Achieving diverse sources of funding includes identifying actions related to alternative and innovative funding sources that will help the Township fund new strategic initiatives and reduce reliance on property taxes which is the primary source of municipal revenues.

The Township also raises revenues through user fees. Municipal user fees are described as a charge to the user for a specific municipal service, activity or product, or for the use of municipal property. *Part XI1 of the Municipal Act, 2001* provides the authority to impose municipal user fees and charges and requires that user fees be approved by Council and enacted in a by-law. User fees are charged for the use of many municipal services and provide funding of municipal services that benefit defined users by collecting fees and service charges that are at, or approaching full cost recovery. User fees assist a municipality to ensure better use of its resources and evaluate the use of a specific good or service.

There is also an opportunity for the Township to access additional grant revenues through the Ontario Community Investment Fund (OCIP).

Analysis

User Fees

- User fees are currently in place to fund services/programs where specific individual benefits are received. However, if recovery levels are not maintained, additional tax levy pressure is experienced. Over the past several years, user fees have not kept pace with expenditure increases.

- Building Permit Fees—The Township charges building permit fees for services provided. Most municipalities operate building services as a self-supporting enterprise or separate utility whereby all costs associated wit the provision of building permit application processing and inspections is fully recovered from fee. Full costs includes both direct and indirect costs. A separate Building Stabilization Reserve should be established.

OCIP Funding

- The Ontario Community Infrastructure Fund (OCIF) has a top-up application component whereby approximately $100 million will be distributed to communities who successfully apply for additional funding through the Ontario Community Infrastructure Fund (OCIF). This allows communities to partner with the province to invest in critical infrastructure projects.

- Eligible communities with critical infrastructure projects may submit proposals to the top-up application component to bring their total OCIF funding up to $2 million over 2 years. Based on discussion with a representative from the Province is eligible for a grant of approximately $1.8 million.

- A requirement for application for a top-up grant is for a municipality to have a comprehensive asset management plan which the Township has recently completed which positions the Township well for the completion of an application.

- Core infrastructure projects (roads, bridges, water and wastewater, including sanitary and storm water infrastructure) that are identified as a priority in the community's asset management plan are eligible for funding, including:

    - capital construction of new core infrastructure owned by the applicant that addresses an existing health or safety issue
    - capital maintenance for the renewal, rehabilitation or replacement of core infrastructure owned by the applicant

Development Charges

- The Province of Ontario's Development Charges Act permits municipalities to collect a fee for property developments to help recover a portion of the cost to install and provide capital services. The purpose of such a fee is to offset subsequent demand for capital works and municipal services, which would arise as a consequence of development. For example, additional fire protection, recreational facilities, library facilities and municipal works such as upgraded roads, water and sewers due to population growth and extensions of services in previously underdeveloped areas. Development charges are fees that are paid by the new development to fund new infrastructure and services constructed throughout the Township.
- Currently, the Township does not have Development Charges. In the County of SDG, the only local municipality that has implemented Development Charges is North Dundas.

Guiding Principles—Maximizing Revenue Opportunities

- North Stormont will fully explore opportunities to leverage grant funds available through other levels of government to meet community needs and corporate priorities.
- By passing the cost of specific services to the consumer through a user fee, only those individuals or groups that utilize the service or incur the fee pay for the cost of providing it, rather than taxpayers in general. Setting fees at cost recovery levels lead to efficient production and consumption of the service, and better allocations of the service when operating at capacity. This provides an opportunity to reduce pressures on the overall tax levy.

Policies and Strategies—Maximizing Revenue Opportunities

1. User fees will be considered by the Township where:
   - There is a clear relationship between the fees paid by users and the benefits received by the user.
   - A member of the public has a choice as to the extent to which he/she uses the service.
   - It is administratively feasible to collect the charge at a reasonable cost (e.g. the administrative cost to charge a user fee is high).
   - The benefits can be quantified and attributed to the user.
2. The Township will review and update user fees annually taking into consideration the increase in all costs (direct and indirect), the current "market" situation, and minimizing the negative impacts to the public that would result in not limiting access to the service.
3. A comprehensive user fee review will be undertaken a minimum of every five years, or earlier, as required to reflect changes in the cost of service, demand for service or service offerings.

Recommendations—Maximizing Revenue Opportunities

1. ***That the Township of North Stormont, as a priority consider completing an application under the top-up funds through the OCIP, with the potential to receive approximately $1.8 million toward health and safety capital projects, as identified in the Township's Asset Management Plan.***
2. ***That the Township include corporate cost allocations in the calculation of future building permit fees operate on a full cost recovery basis and yearly fluctuations be managed through a Building Stabilization Reserve.***
3. ***That the Township consider the merits of implementing a DC Background Study and associated fees based on existing relatively low growth population forecasts.***
4. ***That a comprehensive review and full costing be undertaken for all user fees approximately every 5 years and that the user fees be increased annually to reflect inflationary cost increases.***

20 Year Long Range Financial Plan Forecast

Long Range Financial Plan Forecast —Introduction

Although increases in taxes and user fees should be expected, residents desire certainty with respect to future costs and their affordability. The LRFP assists in identifying trends that may potentially impact the ability to meet goals and objectives, and will allow the Township to adapt and/or plan to meet the challenges created by these needs and trends. The forecast brings the various operating and capital plans in a single platform to provide management and Council with clear visibility on future challenges and opportunities. This is a key financial management tool which considers future scenarios to help North Stormont navigate challenges and seek out future opportunities.

This section of the report illustrates the key issues and opportunities in terms of:

- Protecting and maintaining the Township's assets;
- Ensuring that there is a reasonable degree of stability and predictability in the overall tax burden;
- Ensuring that there is a fair sharing in the distribution of resources between current and future taxpayers;
- Maximizing financial flexibility;
- Minimizing financial vulnerability during economic downturns;
- Maintaining programs and services at their desired levels .

A 20-year Operating and Capital forecast has been prepared using assumptions about economic conditions and future spending scenarios. The forecast provides an indication of what the Township's financial situation may look like in ten years if the environment were to unfold as forecast and the Township were to continue providing the current service levels.

Options and strategies have been developed to help address the capital infrastructure gap and to adhere to the recommended policies and strategies.

The next section of the report provides the assumptions within each of the scenarios as well as the one time adjustments required in 2019 to establish a base upon which scenarios can be evaluated.

Expenditure Assumptions

The following table summarizes the gross expenditures based on the Township's 2018 Operating Budget in terms of operating expenses, debt charges and capital contributions.

	2018
Operating Expenses	83%
Debt Charges	6%
Capital Contributions	10%
Total Expenditures	100%

- As shown above, approximately 83% of the Township's expenditures is allocated to supporting operating expenditures with 6% of the gross operating expenditures used to fund debt principal and interest payments and 10% toward the replacement of capital

- ***Operating Expenditure Assumptions***—the following table summarizes the assumptions with respect to operating expenditures:

	Annual Assumption
Salaries, Benefits and Wages	2%
Fire Salaries	3%
Cons. Authorities	3%
Other Operating Expenditures	2%

- ***Debt Charges***—Existing debt charges are based on the 2017 amortization schedules provided by the Township and have assumed that debt for the Fire Trucks would be issued as follows, in accordance with the Township's plan:

  - $120,000, 5 year term at 2.63%
  - $455,000, 20 year term at 3.35%

  New debt is issued over the 20 year period in one scenario to help expedite capital replacement. The other scenarios assume that no new debt will be issued.

- ***Capital Contributions***—Every scenario varies, as will be described later in this section of the report using different strategies to gradually close the infrastructure gap.

Revenue Assumptions

- The following assumptions have been included in the 20 year forecast for revenues:

	Annual Assumption
User Fee Revenues	1-2%
OCIF	2%
OMPF	-10%
Gas Tax Revenue	1%
Other Revenues	1-2%

Changes to individual assumptions can impact the projections and since the assumptions affect the projections so much, it is important to understand not only what the assumptions are, but also how changes to them could alter the outcome; this is known as sensitivities. The following sensitivities must be considered:

- ***Inflation***: Inflationary cost increases will directly impact the level of funding required, which is exacerbated by the inelasticity of the Township's primary source of revenue, property taxes.

- ***Tax rate changes***: With public demand to keep property tax rates stable or even to decrease them, the ability to fund capital assets is reduced. Decreases in property tax revenue will increase the gap between what is required to fund capital plans and what is available.

- ***Uncertain and potential decreases in grant funding levels***: Changes to the level of funding available from other levels of government or restrictions placed upon their use will significantly impact the projections.

- ***Unanticipated or emergent capital requirements***: The projections were prepared based upon the known capital requirements in existing planning documents, excluding flood-related initiatives.

2019 Based Budget Assumptions

One-time adjustments were made to the 2019 Operating Budget base forecast based on grants and expenditures that are not anticipated in the future. These have been included in Appendix B.

Options to Consider

Addressing the Infrastructure Funding Gap

Options have been to address the infrastructure funding shortfall and considering taxpayer affordability. These include:

- Issuing ***additional debt*** to address the infrastructure funding gap up to the recommended policy limit of debt charges of 10% of total own source revenues. There is an opportunity to issue more debt to address funding shortfalls but this must be balanced in terms of the impact on the operating budget.
- ***Increasing reserve contributions/capital from taxation*** by implementing strategies to gradually increase contribution to fund the renewal of assets based on a rate which reflects the consumption of that asset by current taxpayers.
- ***Addressing the capital program requirements*** through capital prioritization. As shown in this section of the report, there are a number of capital replacement needs that are not affordable and will need to be prioritized on a corporate wide basis.
- ***User fees -*** Review user fees and consider a surcharge for the replacement of capital assets (e.g. recreation facilities). This could generate additional funds that would be directed to the renewal of these assets.
- ***Additional Grant Funding*** would help offset the capital program costs, should these funds become available. In keeping with past practices, staff and Council will continue to seek out opportunities to leverage funding from other levels of government. Specifically, there is an opportunity for the Township to apply for the top-up through the OCIF program with a potential to receive $1.8 million in grant funding in addition to the annual OCIF grant.
- ***Sale of Surplus Lands/Properties*** would offer one time funding for the capital program and has not been incorporated into the analysis.

Four scenarios were developed to provide options for staff and Council to consider. These scenarios have been presented on the next page.

Forecast Scenarios

The following four scenarios were developed to illustrate various options to gradually close the infrastructure gap.

Scenario 1: Implement a 0.75% Infrastructure Special Levy

As discussed in the previous section of the report, the Township must set aside additional funds for the replacement of assets as they reach the end of their useful life. Scenario 1 includes a policy to increase the contribution to the capital program incrementally each year. The increase in capital contribution is 0.75% of the prior year's levy annually commencing in 2020. This results in a levy increase, on average of 3.1% over the next 20 years. This model assumes no new debt.

Scenario 2: 3% Annual Levy Increase, Including Strategic Issuance of New Debt

Scenario 2 includes a strategy to strategically issue debt to expedite the replacement of asset beyond their useful life and increases the contribution to the capital reserve and smoothes the levy increase at 3% annually.

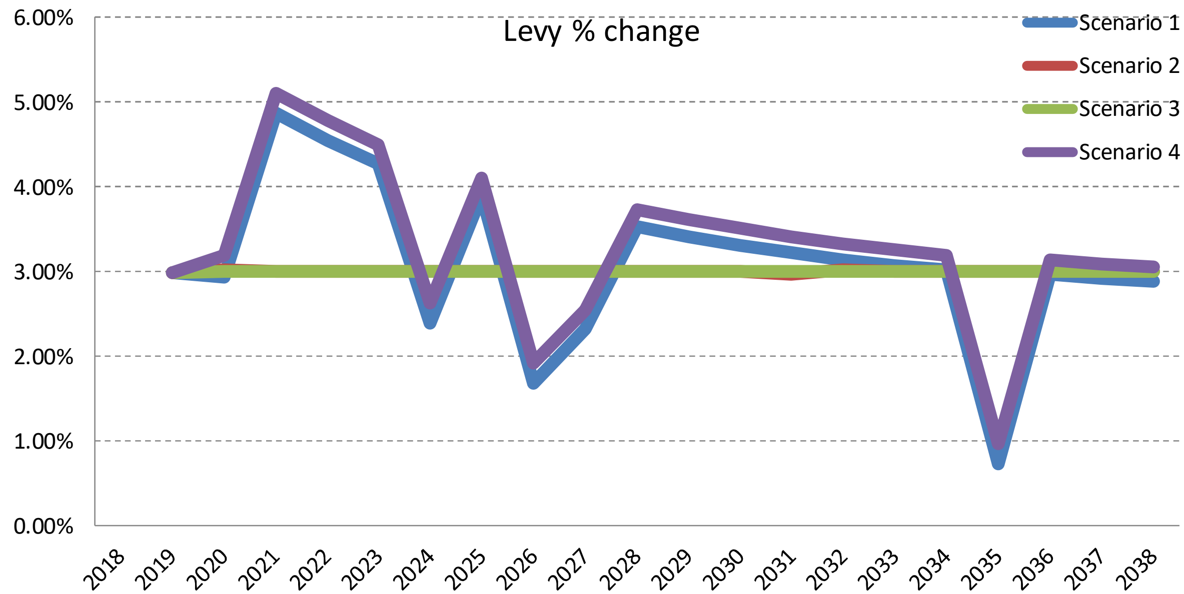
Scenario 3: 3% Annual Levy Increase

Scenario 3 includes gradually increases the contribution to the capital reserve and smoothes the levy increase at 3% annually. In this scenario no new debt is issued.

Scenario 4: Implement a 1.0% Infrastructure Special Levy

Scenario 4 includes a policy to increase the contribution to the capital program incrementally each year. The increase in contribution is 1.0% of the prior year's levy annually commencing in 2020. This result in a levy increase, on average of 3.3% over the next 20 years. This model assumes no new debt.

20 Year Levy Change Forecast

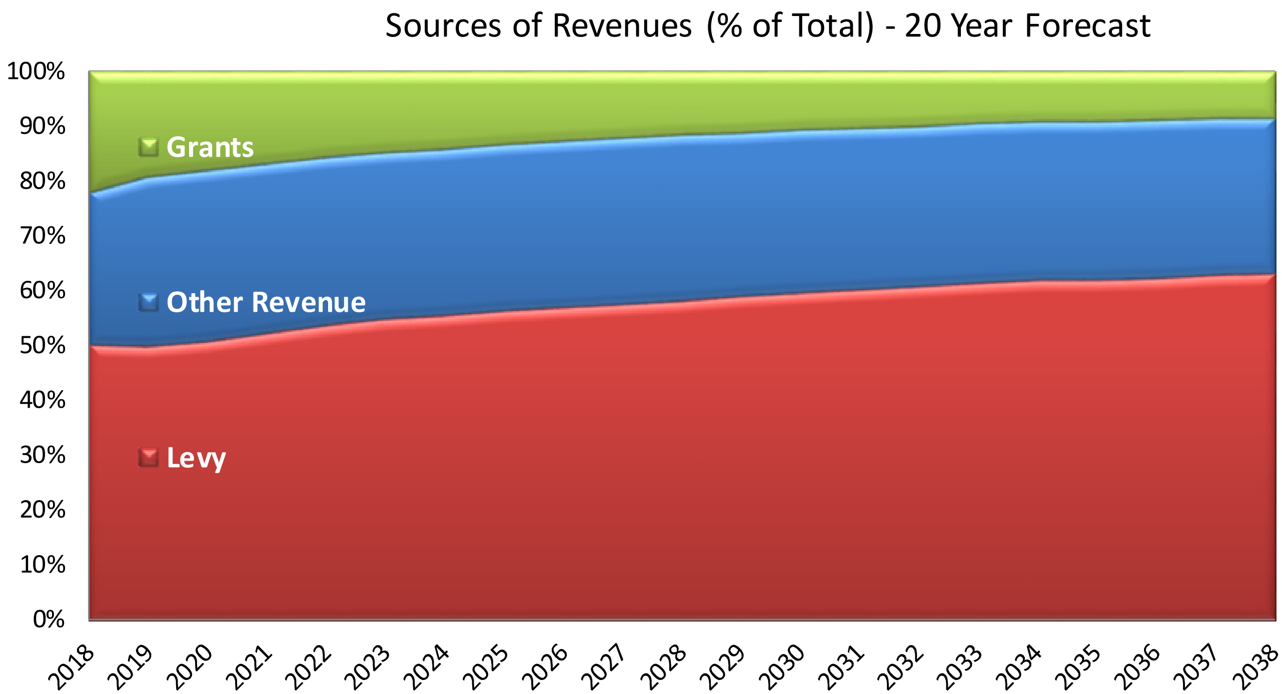


Levy % Change	10 Year Avg Annual Levy Increase	20 Year Avg Annual Levy Increase
Scenario 1	3.3%	3.1%
Scenario 2	3.0%	3.0%
Scenario 3	3.0%	3.0%
Scenario 4	3.5%	3.3%

As shown above, the levy is forecast to increase annually in each scenario which is driven by several factors:

- A forecast reduction in the grant revenues;
- Operating expenditure annual increases mainly in the range of 2%;
- Other revenue increases forecast to be 1-2%;
- Increase in the contribution to the capital program.

20 Year Operating Revenue Trend



	2018	2028	2038
Other Revenue	28%	30%	28%
Grants	22%	12%	9%
Levy	50%	58%	63%

- As shown above, over time, the proportion of revenues generated from grants and other revenues declines in every scenario, placing a greater burden on the Township's levy. For example, in 2018, the tax levy represented 50% of the total Township's revenues and in 2038, this has increased to 63%, mainly as a result in a decrease in government grants.
- Advocacy to other levels of Government is required across Ontario to institute permanent and sustainable infrastructure funding for municipalities, particularly municipalities such as North Stormont, a rural community with a limited tax base upon which to fund municipal programs and services.
- The above note graph reflects the 20 year forecast in scenario 1 which is also very similar in all scenarios presented.

20 Year Capital Funding Available

Cumulative Capital (000's)	2018	2028	2038
Scenario 1	$ 556	$ 12,564	$ 27,966
Scenario 2	$ 556	$ 12,539	$ 26,379
Scenario 3	$ 556	$ 11,631	$ 25,582
Scenario 4	$ 556	$ 12,924	$ 29,726

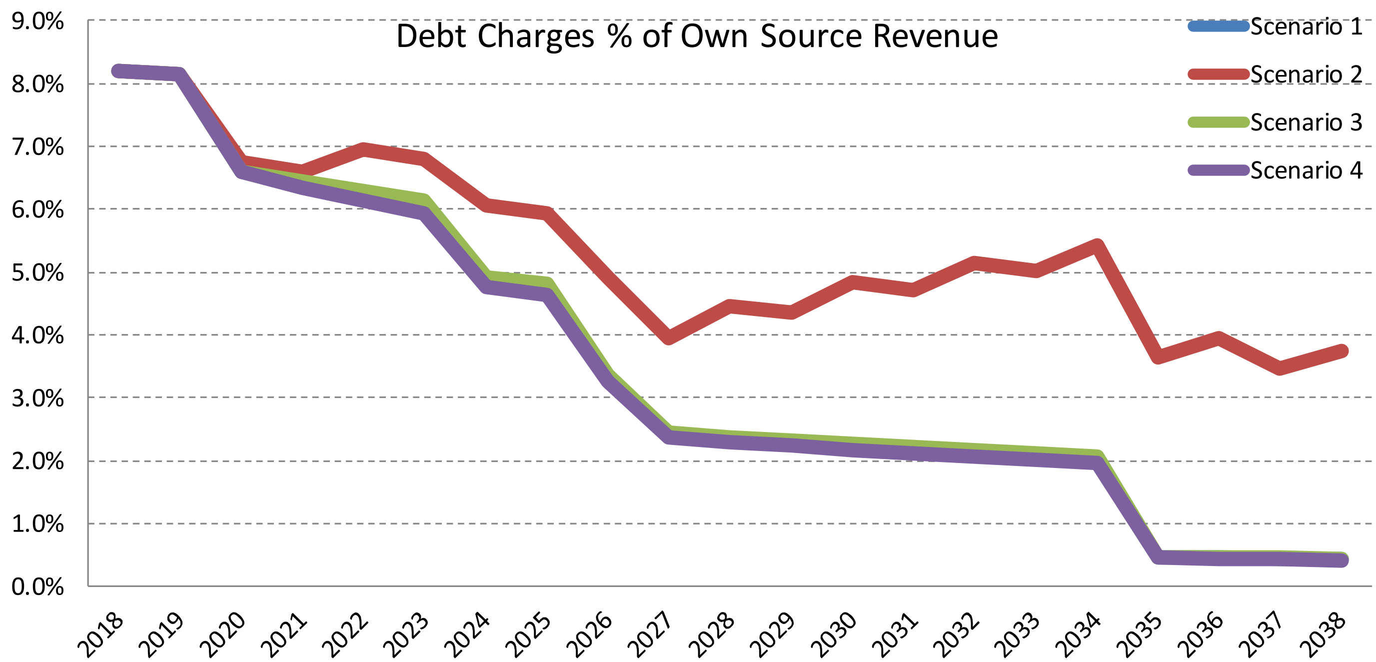
- Scenario 1 - if the Township were to implement the incremental capital contribution increase of 0.75% of the prior year levy, in 10 years this scenario would generate $12.56 million in capital funds. The 10 year average levy increase would be 3.3%. In 20 years, this approach would generate almost $28 million. No new debt is issued in this scenario.

- Scenario 2—This approach maintains a 3% annual levy increase with a similar capital available over the next 10 years ($12.54 million). This approach generates $26.4 million in capital over 20 years which is approximately $1.6 million less than scenario 1. In this scenario, $3.2 million of debt is issued over the 20 year period.

- Scenario 3—This approach maintains a 3% annual levy increase over the 20 years and issues no new debt. Over 20 years, this results in $800,000 less capital compared with scenario 2 and $2.4 million less capital than scenario 1.

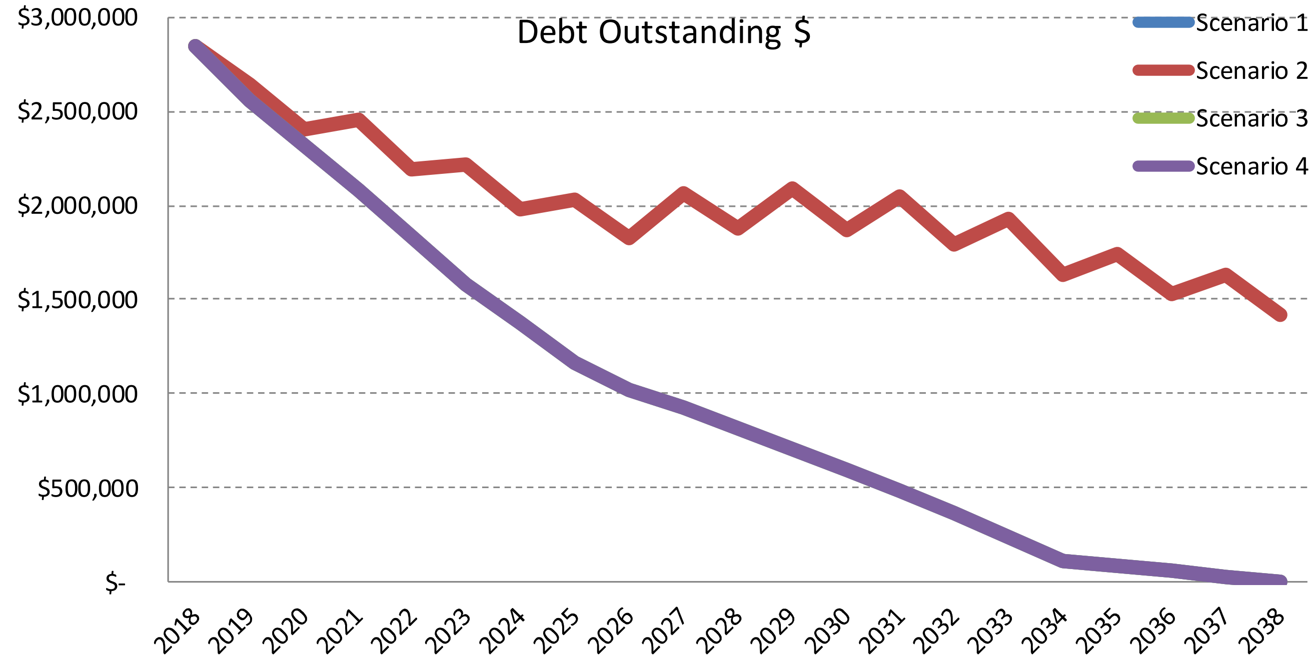
- Scenario 4—If the Township were to implement a policy to incrementally increase the capital contribution by 1.0% of the prior year's levy, there would be $12.92 million in capital available over the next 10 years. The 10 year average levy increase would be 3.6%. In 20 years, this approach would generate $29.7 million. No new debt is issued in this scenario. Compared with scenario 3, which also has no new debt issued but will increase annual taxes by 3% annually compared with 3.3% average over 20 years, scenario 4 generates an additional $4.1 million for capital.

20 Year Forecast—Debt Charges as a % of Own Source Revenues



- In scenarios 1,3,4 no new debt is issued and, as such, the debt charges decline over the new 20 years.
- The recommended policy is to ensures that debt charges do not exceed 10% of own source revenues which is met in each scenario.
- Debt as a percentage of own source revenues in 2018, the Township's debt is 8.2% (2018). If no new debt were issues, the debt ratio would fall to 0.4% by 2038 compared with 4.2% in scenario 3 where debt was issued to expedite the capital program.

20 Year Forecast—Debt Outstanding



- In scenarios 1,3,4 no new debt is issued and, as such, the debt outstanding is eliminated in 20 years Note that the debt outstanding in 2018 includes the debt planned to be issued for $575,000 to support the replacement of fire trucks.

- In scenario 2, debt is issued every 2 years to address priority capital requirements. Debt has been issued over a 15 year term at the Ontario Infrastructure rate at the time the forecast was developed.

Long Range Financial Plan Summary

Summary of Recommendations

Asset Management

1. ***Establish a 5 year capital plan and smooth the contributions from the Operating Budget.***

2. ***That the Township implement additional strategies to address the infrastructure gap. These include:***
    - ***Gradually increasing contributions for the replacement of existing assets through planned contributions;***
    - ***Establishing a special infrastructure levy;***
    - ***Redistribution of existing reserve balances (Capital and Stabilization);***
    - ***Strategically issuing debt;***
    - ***Utilizing a portion of the Wind Turbine annual revenues for the capital program (discussed in further detail later in the report); and***
    - ***Prioritizing capital replacement projects***

Providing for Contingencies

1. ***To improve flexibility and to assist in prioritizing capital requirements on an annual basis, consolidate all Tax Capital Reserves.***

2. ***Maintain the recommended maximum 15% and a minimum of no less than 10% in the Working Capital Reserve (to be renamed Tax Stabilization Reserve).***

3. ***Transfer the excess funds in the Township's Working Capital Reserve to the to the consolidated Capital and Infrastructure Reserve (estimated to be $439,000).***

Debt Management

1. ***Tax Debt Charges as a percentage of Tax Own Source Revenues will not exceed 10%.***

Maximizing Revenue Opportunities

1. ***That the Township of North Stormont, as a priority consider completing an application under the top-up funds through the OCIP, with the potential to receive approximately $1.8 million toward health and safety capital projects, as identified in the Township's Asset Management Plan.***

2. ***That the Township include corporate cost allocations in the calculation of future building permit fees operate on a full cost recovery basis and yearly fluctuations be managed through a Building Stabilization Reserve.***

3. ***That the Township consider the merits of implementing a DC Background Study and associated fees based on existing relatively low growth population forecasts.***

4. ***That a comprehensive review and full costing be undertaken for all user fees approximately every 5 years and that the user fees be increased annually to reflect inflationary cost increases.***

Summary—Long Range Financial Plan

The Township of North Stormont is proactively planning for its future by developing a financial forecast to identify challenges, risks and opportunities to develop strategies to achieve long range financial sustainability. Sustainability, by definition, focuses on the ability to maintain an activity over an extended time horizon.

Although the Township's financial position is sound, there are some issues that could potentially threaten the Town's financial sustainability as it relates to the funding of capital assets. Without action to address these issues, the Town will become increasingly challenged to provide the infrastructure that citizens expect and value.

In the face of challenges such as some uncontrolled expenditure increases, unreliable government grants funding and an increase County levy due to, in part to changes in assessment, the Township has kept tax increase to a minimum while maintaining service levels over the past several years by reducing capital contributions for the replacement of existing assets.

Currently, the Township's assets are relatively young but they will require increased levels of rehabilitation and replacement. The existing practice is not sustainable as the infrastructure gap is growing, as identified in the recently completed Asset Management Plan.

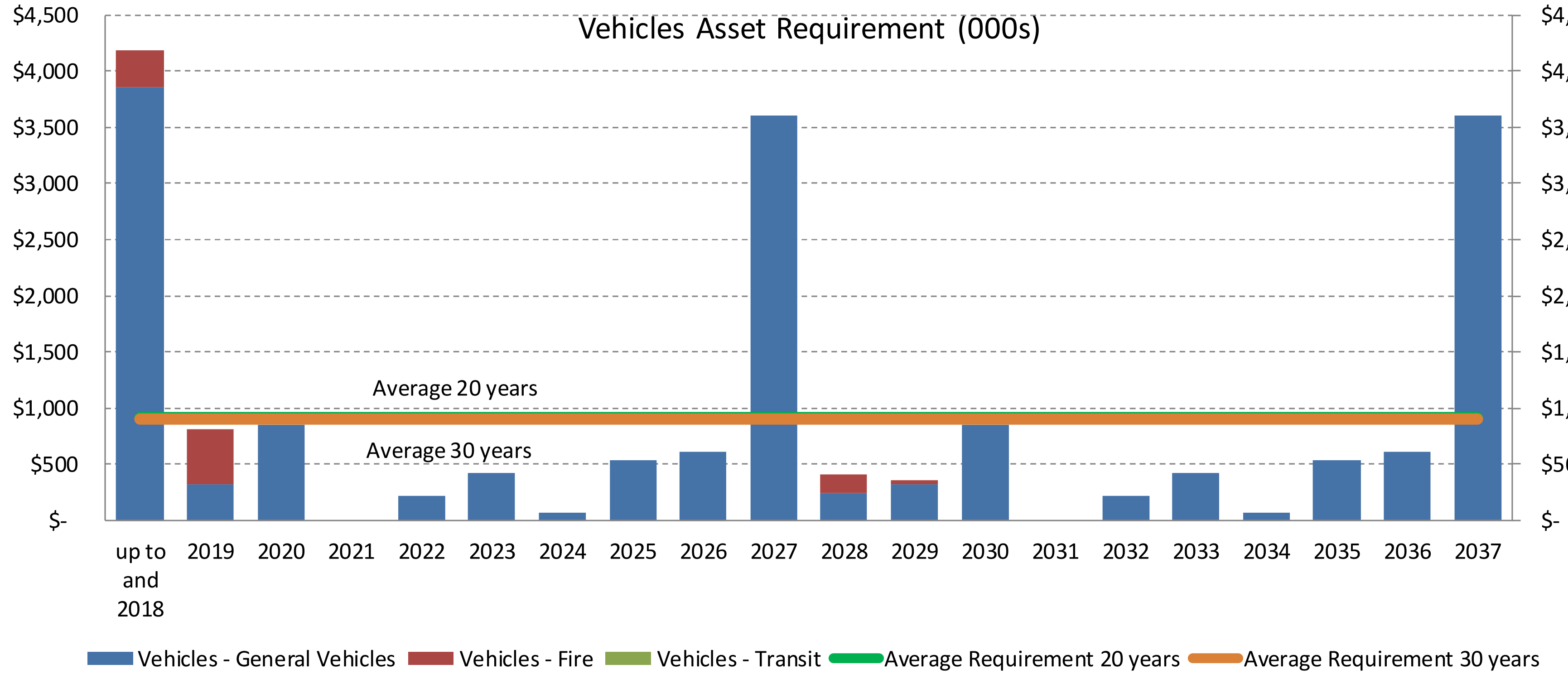
Information from the LRFP indicates that, to support financial sustainability, North Stormont will require annual increases in property taxes of approximately 3.0-3.5%. Four models were presented in the LRFP to provide a range of options and alternatives in terms of gradually increasing capital funding.

Ensuring that priority is given to asset rehabilitation and replacement, and increasing the property tax contribution to the Capital Infrastructure Reserve as well as the strategic use of debt will provide some relief to the financial pressure facing the Township. However, the Township also needs to develop and implement actions that support necessary financial strategies identified in this document in order to achieve those financial goals that will maintain or enhance financial sustainability.

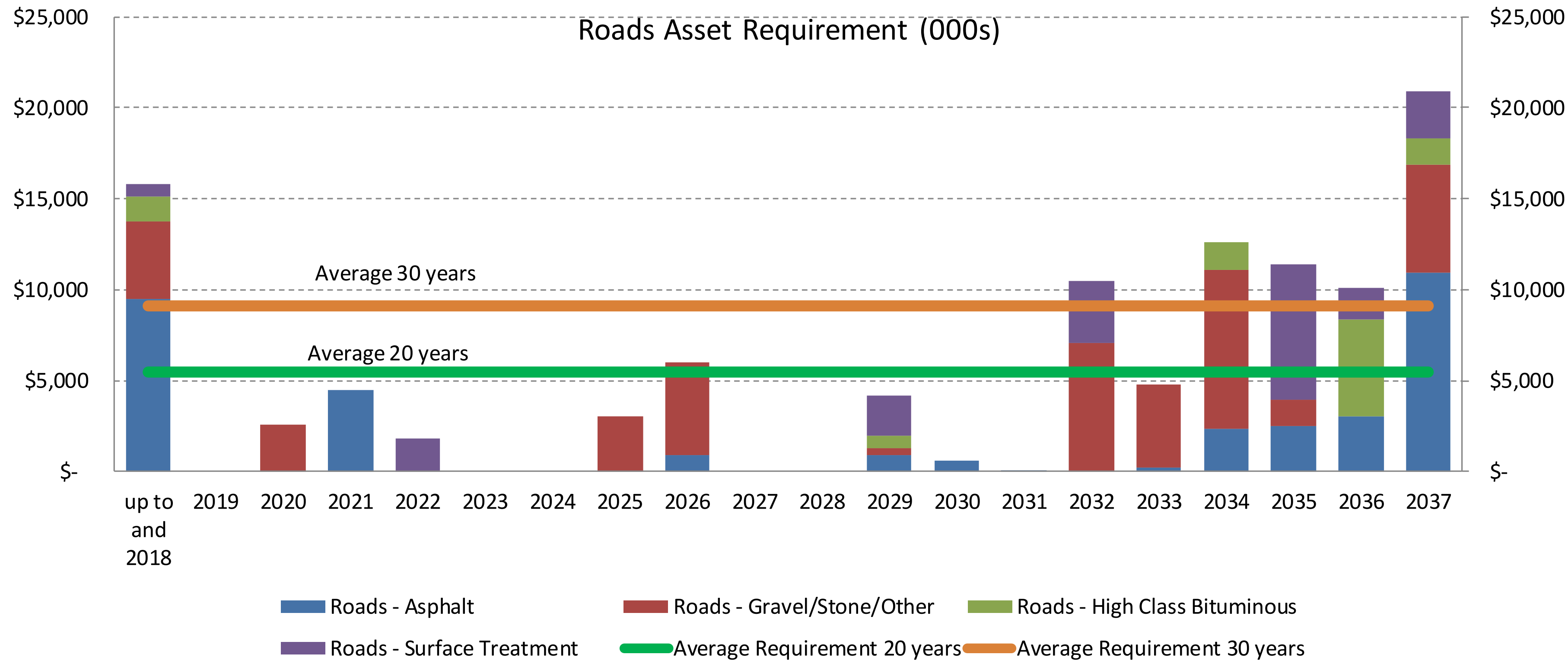
The LRFP provides 20-year projections and financial goals and strategies in one forward-looking document. The LRFP is not an exercise in precision, but remains a work in progress which lays the groundwork for improvement with each update.

Appendices

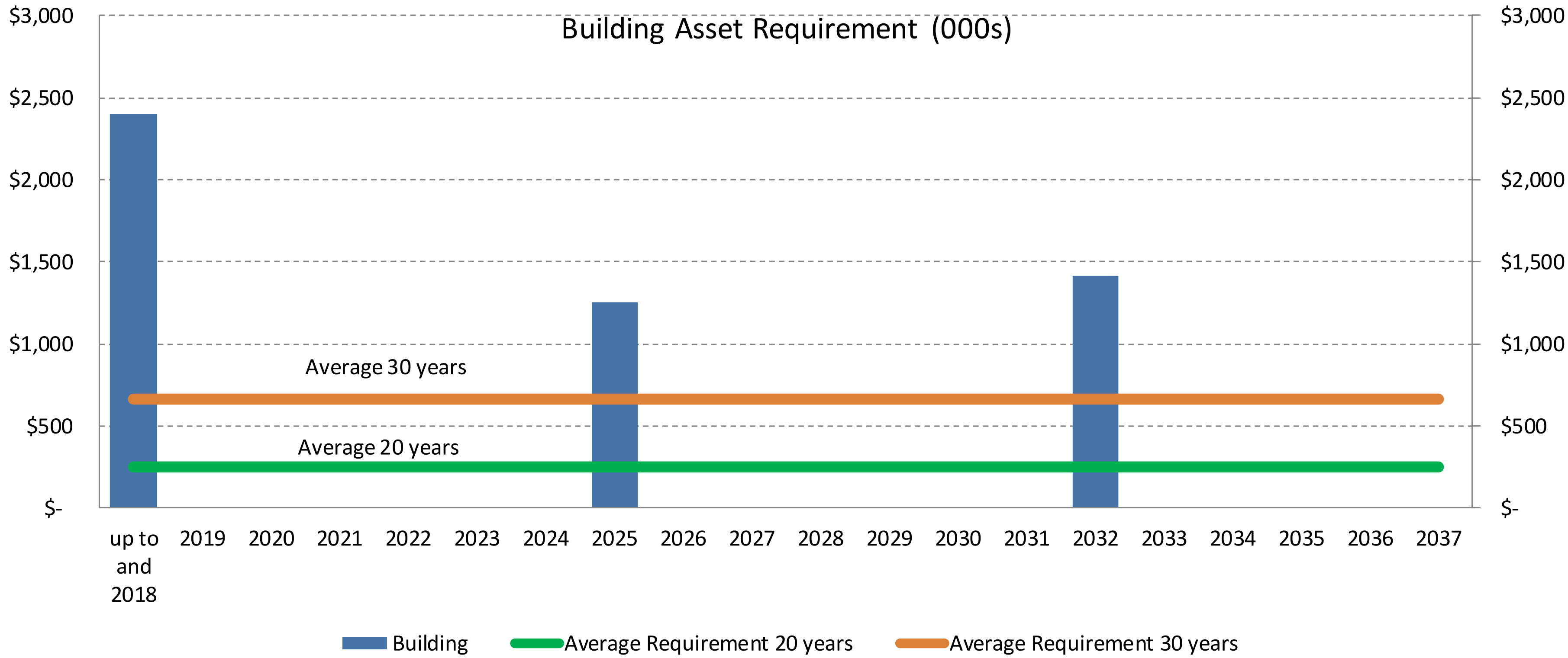
Appendix A—Asset Management Plan Replacement Schedules



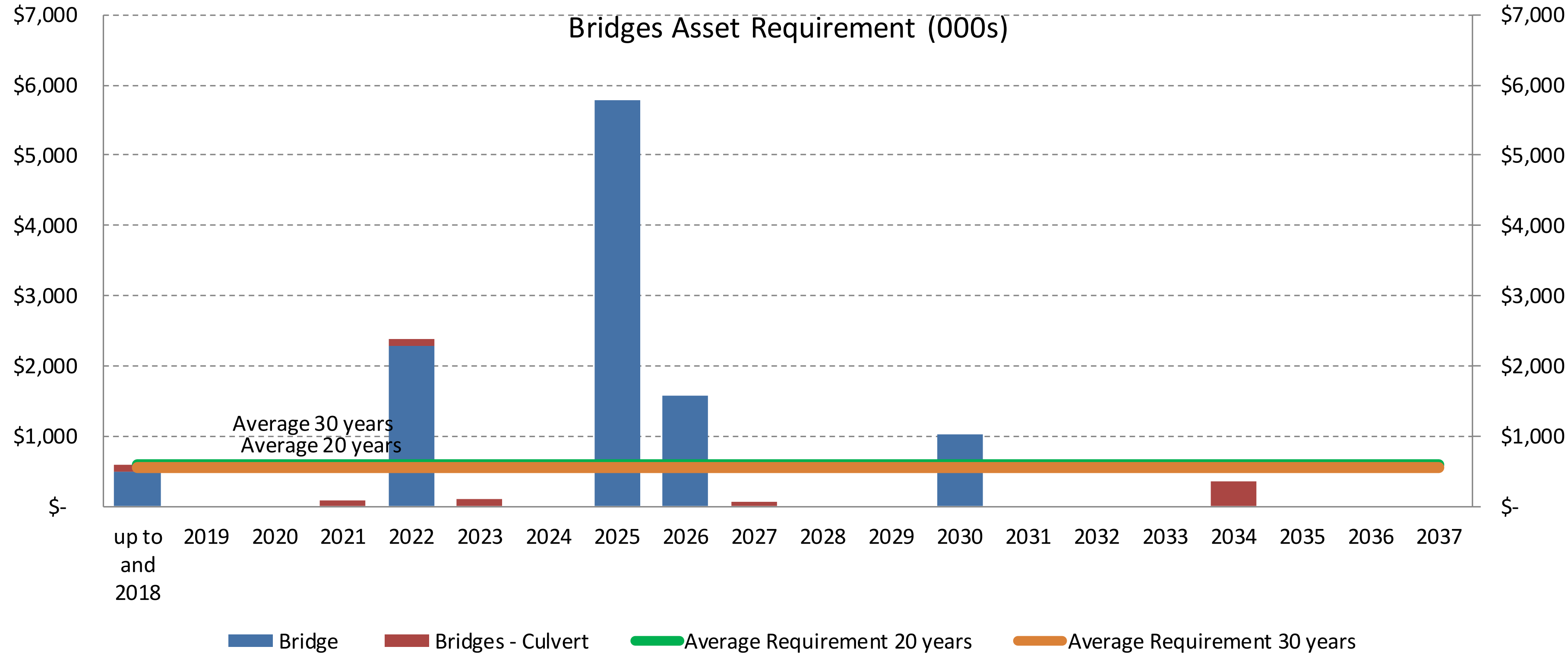
Appendix A—Asset Management Plan Replacement Schedules



Appendix A—Asset Management Plan Replacement Schedules



Appendix A—Asset Management Plan Replacement Schedules



Appendix A—2019 Adjustments

Revenue—Adjustments

- Canada Grant—a one time $76,188 grant the recreation facilities in 2018 was eliminated from the 2019 base forecast.
- Sale of Asset—$60,000 was a one time revenue in 2018 and was eliminated from the 2019 base. While there may be additional assets that will be sold, these are one-time revenues and have not been included in the forecast. Should revenues be generated, it is recommended that the revenues be transferred to the Capital Infrastructure Reserve.
- Ontario Grant—$26,250 one time item and was eliminated from the base in 2019 as was the grant sharing program to support the completion of studies.
- OCIF—increase in funding of $43,000 based on Provincial formula.
- Turbine Revenue—This assumes that the Township will receive $300,000 in annual revenue. 10% has been earmarked for community grant funding with the remaining 90% being directed to the Capital program. There is no net impact to the levy.

Expenditures—Adjustments

General Government

- Consultants—A reduction in the consulting expenditure of $40,000 related to one-time expenditures for special studies (e.g. Asset management & Financial Plan).
- Elections—the contribution to the Election Reserve has increased annually to reflect the estimated cost of the election every four years. The annual contribution was $1,000 in 2018 and has been increased to $5,000 in 2019. The approach will be to transfer the contribution to the Reserve in non-election years to avoid year over year expenditure spikes.

Protection

- Leases and contracts charges—in 2018 there was a budget of $30,300 which was required to address the three trucks that were inoperable, requiring a lease. This has been eliminated in 2019 as this was a one-time item.

Building

- As discussed in the policy section of the report, it is recommended that Building be operated on a Enterprise basis whereby it is self funding from building permit fees. The 2019 budget includes a corporate cost allocation to the reflect the full cost of service. This has no impact on the Township’s total Operating budget as there will be an offsetting revenue in General Government.

Planning

- Consultant—$35,000 for 2018 is to cover the Planners salary which was reduced due to maternity leave. For forecasting purposes, the salaries and wages will be reinstated as a full-time position with an offsetting reduction in the consultant. This has no impact on the total operating budget.