

# Long Term Financial Plan Update

Kevin Fowke, GM of Corporate Services

Tuesday, August 11<sup>th</sup>, 2020



2019-2027 Strategic Plan Priorities

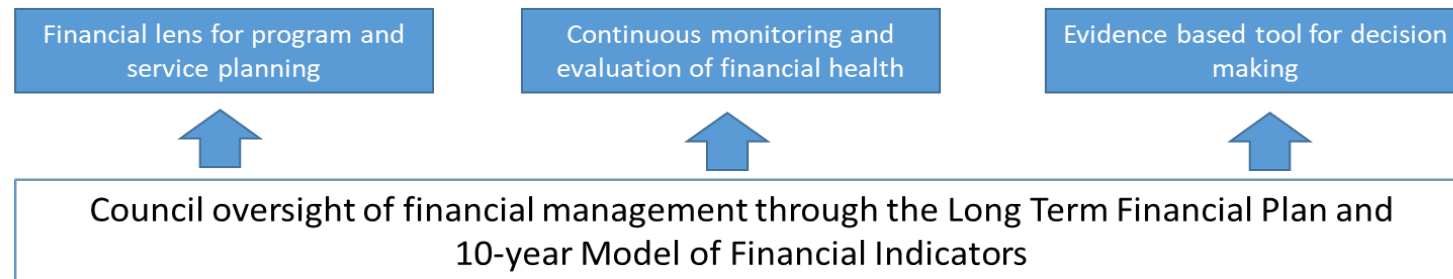
# In summary

- Continued financial strength, flexibility and strong financial policies and strategies
- 10-year projections to 2030:
  - Property tax increases in the 2.2% - 3.9% range
  - Low cost financing allowing for significant asset reinvestment
  - Debt levels are manageable and within a typical range
  - Action needed on asset reinvestment and renewal and levels of reserves
- Asset needs will be in sharp focus over the plan period

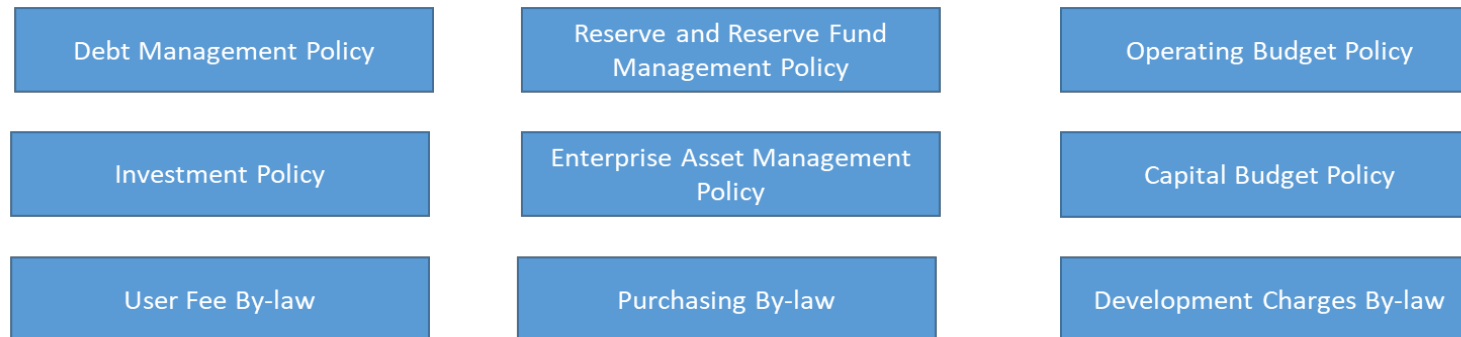


# Long Term Financial Planning Framework

## Use of the Long Term Financial Plan



## Supporting Policy and Legislative Framework



# Long Term Financial Planning

- Purpose: Ensure the long term financial sustainability of municipal services
- Outcome: City services are financially sustainable at desired levels into the future
- Financial Principles:
  1. Long Term Sustainability
  2. Respect for the Taxpayer
  3. Appropriate Funding for Services
  4. Planning for Infrastructure



# Financial Strategies and Policies

Policy Recommendation	Status
Operating Budget Policy:	Complete – 2019-2020
Capital Budget Policy:	Complete - 2017 for 2018 budget process
Reserve and Reserve Fund Management Policy:	Complete - 2020
Development Charges By-law:	Complete - 2019
Debt Management Policy:	Complete - 2018



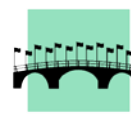
# Strategy Guides Planning



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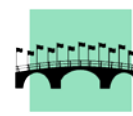
# Strategy Guides Planning



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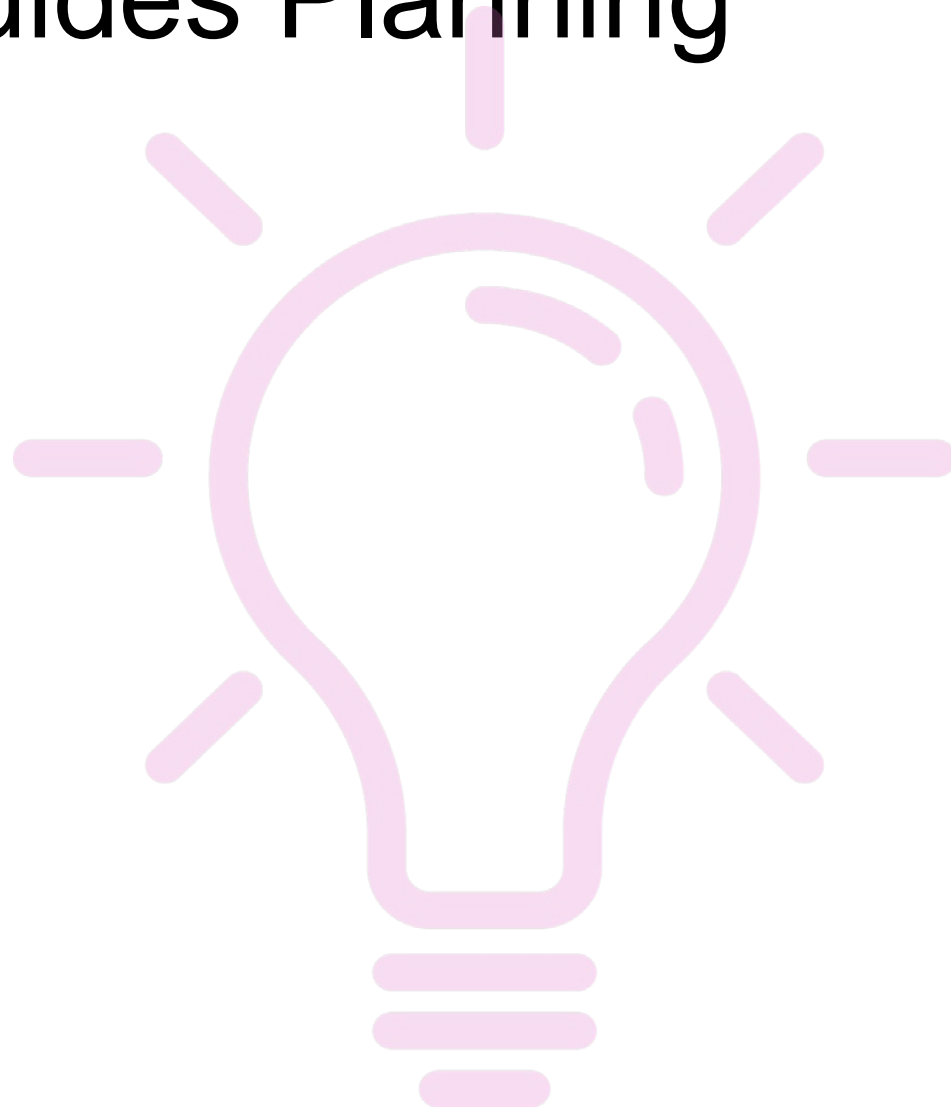
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# Strategy Guides Planning



# Strategy Guides Planning



# Economic Condition

Economic Indicator	Rating
Population Growth	☹️
Gross Domestic Product	😐
Employment	😊
Construction Activity	😊
Household Income	😐
Assessment Growth	😐



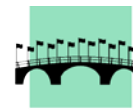
# Financial Indicators: Sustainability

		2019	2018	2017	2016	2015
Sustainability Indicators	Target					
Financial assets to financial liabilities	0.75 to 1.50	<b>1.66</b>	1.66	1.66	1.67	1.62
Total reserves and reserve funds per household	\$2,000 to \$3,500	<b>\$1,830</b>	\$1,981	\$1,931	\$2,132	\$2,209
Total operating expenses as a percentage of taxable assessment	2.0% to 3.5%	<b>2.4%</b>	2.3%	2.3%	2.2%	2.2%
Capital additions as a percentage of amortization expense	150% to 250%	<b>213.9%</b>	111.4%	133.2%	95.2%	225.0%
Taxes receivable as a percentage of taxes levied	n/a	<b>2.8%</b>	2.7%	3.0%	2.4%	2.3%



# Financial Indicators: Flexibility

		2019	2018	2017	2016	2015
Flexibility Indicators	Typical Range					
Residential taxes per household	\$3,000 to \$5,000	<b>\$2,349</b>	\$2,258	\$2,176	\$2,072	\$1,978
Debt per household	\$2,000 to \$3,500	<b>\$927</b>	\$1,012	\$1,027	\$1,096	\$1,178
Residential taxes as a percentage of household income	3.0 to 5.0%	<b>3.79%</b>	3.83%	3.85%	3.63%	3.76%
Total taxation as a percentage of total assessment	1.0% to 2.5%	<b>1.27%</b>	1.24%	1.22%	1.17%	1.18%
Debt servicing costs (interest and principal) as a percentage of net revenues	2.0% to 3.0%	<b>1.98%</b>	2.32%	2.19%	2.28%	1.90%
Net book value of tangible capital assets as a percentage of historical cost of tangible capital assets	40% to 60%	<b>49.3%</b>	48.8%	49.7%	50.3%	51.4%



# Financial Indicators: Vulnerability

		2019	2018	2017	2016	2015
Vulnerability Indicators	Typical Range					
Ratio of government transfers to total revenue	n/a	<b>0.28</b>	0.29	0.30	0.25	0.27
Operating grants as a percentage of total revenues	10% to 25%	<b>22.0%</b>	23.2%	22.6%	22.9%	22.8%
Capital grants as a percentage of total capital expenditures	10% to 25%	<b>26.0%</b>	40.2%	45.3%	14.1%	14.8%





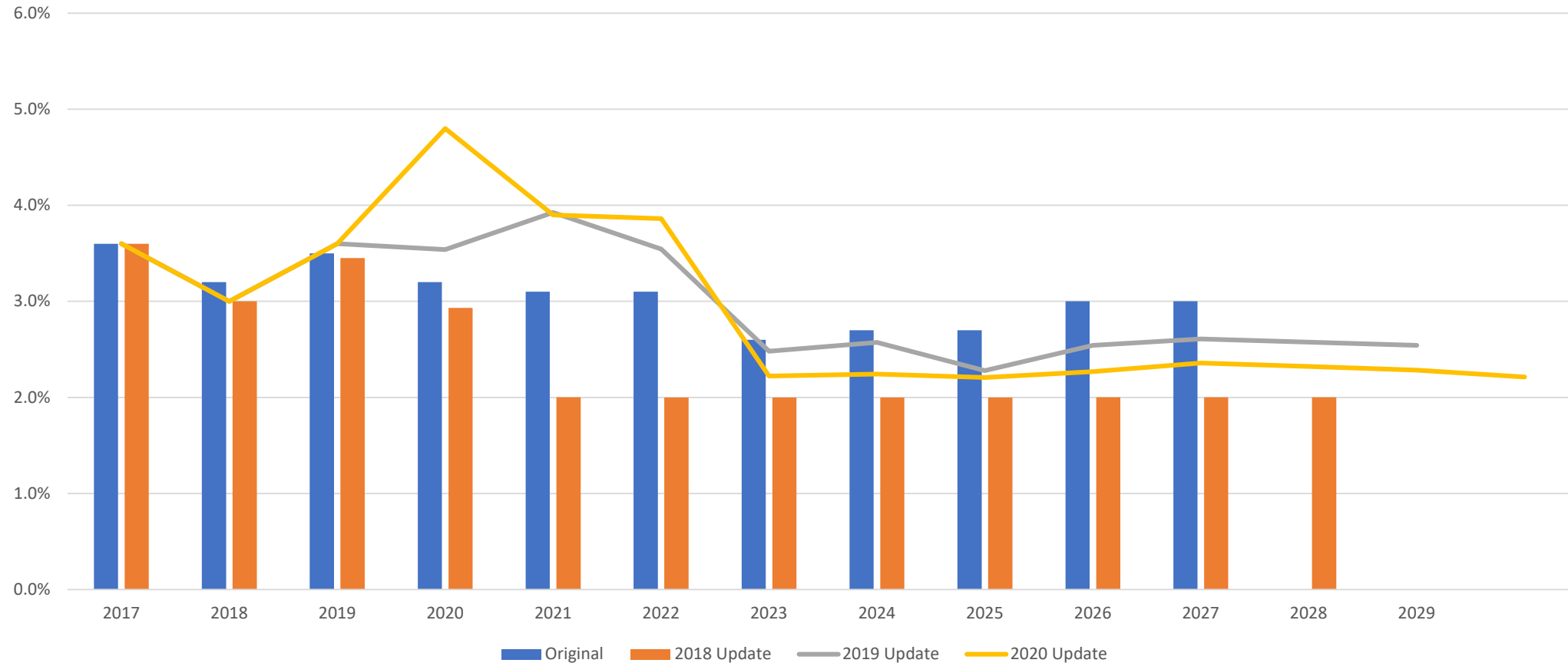
# 10-year Financial Model

- “Just a plan”, the model uses a variety of assumptions:
  - 2021 and 2022 matches the two year forecast on this agenda
  - Most operating expenses +2% per year
  - Contributions to capital and reserve +2.5% per year
  - Water / Wastewater rates +4.8% consistent with long term plan
  - All approved capital projects and related financing included
  - Assessment growth at +0.5% for 2021 and +1.0% thereafter
  - 1% of 2022 tax levy added to 2023 (currently applied to reserve)
- As in any planning exercise, there are risks that assumptions will be incorrect or the environment may change.



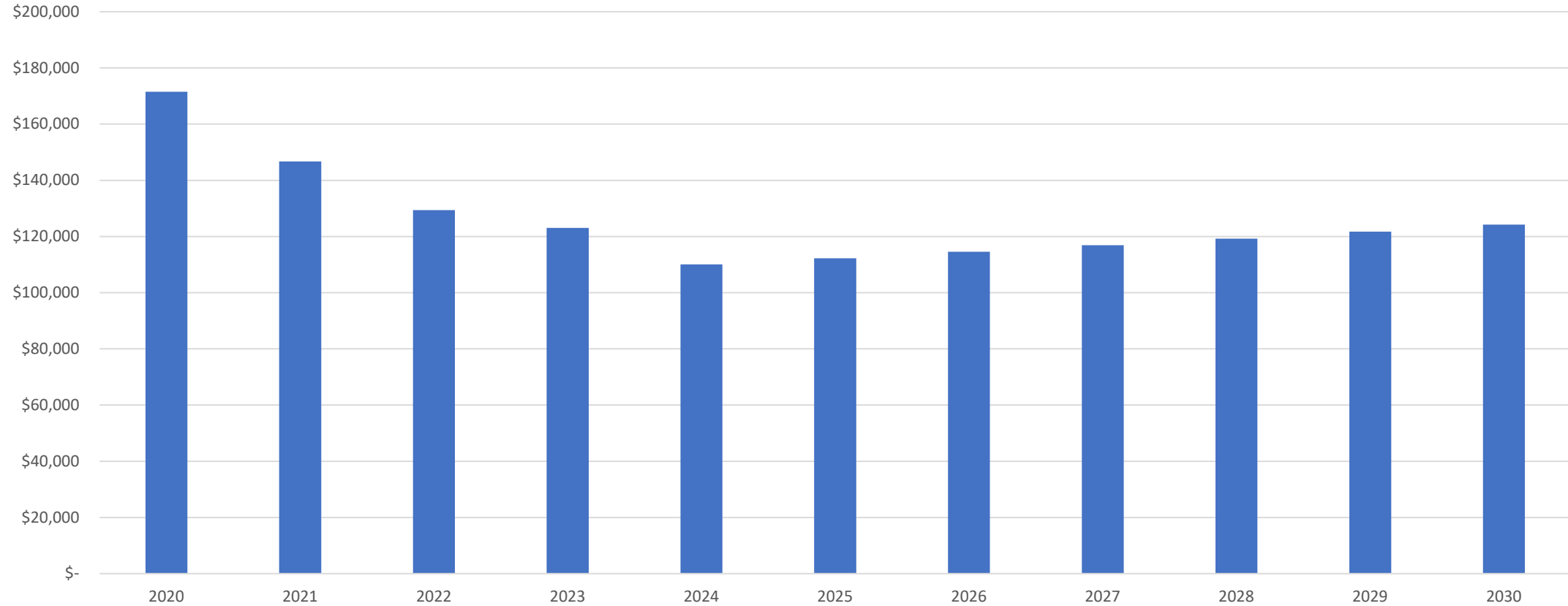
# Operating Model

Comparison of Forecasted Tax Increases

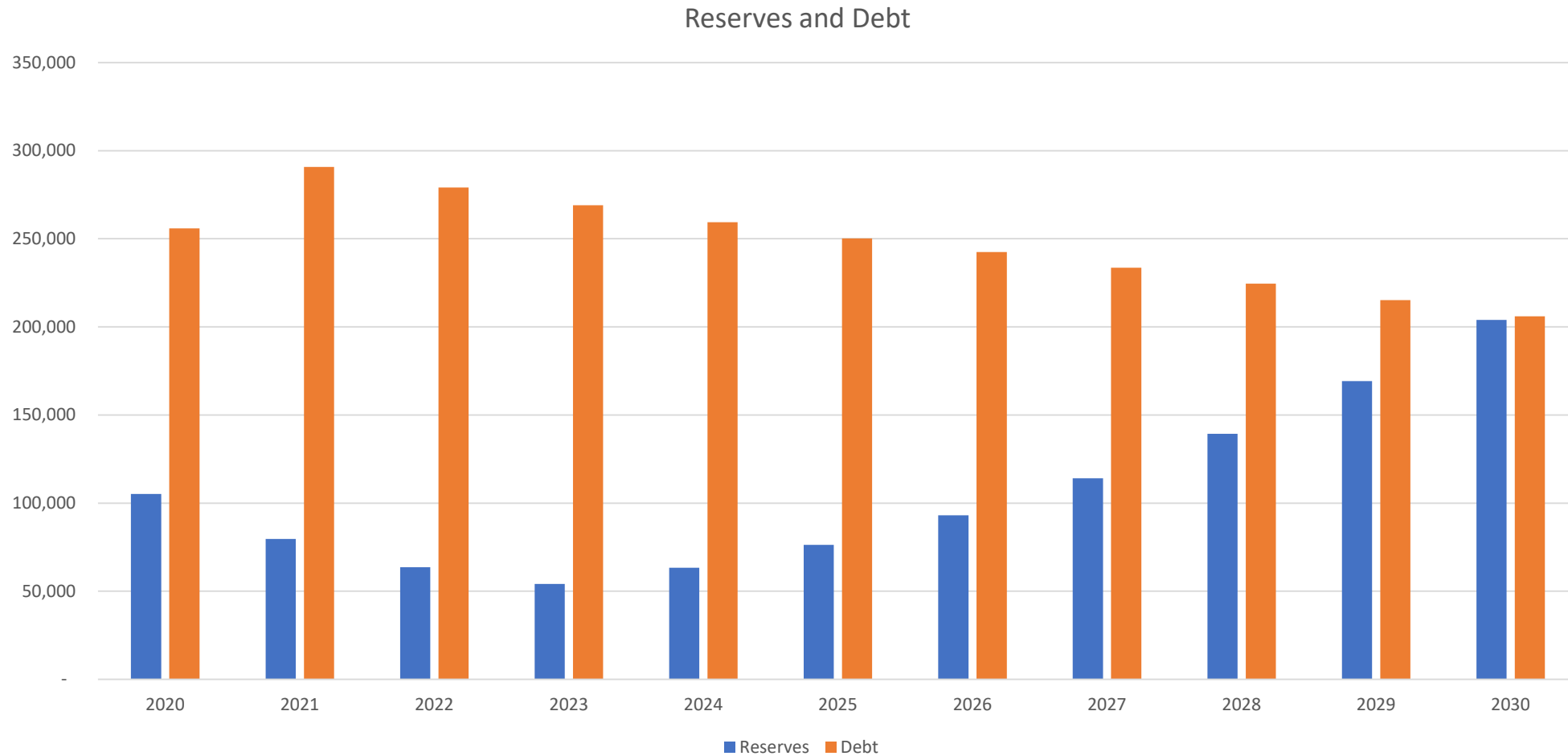


# Capital Model

Capital Expenditures Per Year (000's)



# Capital Expenditures and Reserve Levels



# Financial Indicators: Sustainability

Indicator	Target	2020	2021	2022-2030
Total Reserves and Reserve Funds Per Household	\$2,000-\$3,500	\$ 1,384	\$ 1,043	\$674-\$943
Total Operating Expenses as a Percentage of Taxable Assessment	2.0% to 3.5%	2.62%	2.68%	2.80%-3.08%
Total debt per household	\$2,000-\$3,500	3,365	3,808	\$2,611-\$3,643



# Financial Indicators: Flexibility

Indicator	Target	2020	2021	2022-2030
Debt to Reserve ratio	N/A	2.43	3.65	1.01 – 4.97
Residential taxes per household	N/A	\$ 2,714	\$ 2,823	\$2,950 – 3,704
Residential Taxation as a Percentage of Household Income *	3.0%-5.0%	2.59%	2.62%	2.73%-2.93%



# Financial Indicators: Vulnerability

Indicator	Target	2020	2021	2022-2030
Operating Grants as a Percentage of Total Revenues	10%-25%	22.2%	21.9%	17.4%-20.7%
Capital Grants as Percentage of Total Capital Expenditures	10%-25%	17.8%	27.7%	14.9%-29.8%



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