



## Staff Report

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<b>Report To:</b>	<b>Special General Government Committee</b>	
<b>Date of Meeting:</b>	November 24, 2023	<b>Report Number:</b> FSD-044-23
<b>Submitted By:</b>	Trevor Pinn, Deputy CAO/Treasurer	
<b>Reviewed By:</b>	Mary-Anne Dempster, CAO	<b>Resolution#:</b>
<b>File Number:</b>		<b>By-law Number:</b>
<b>Report Subject:</b>	Long-Term Financial Planning Framework	

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### Recommendations:

1. That Report FSD-044-23, and any related delegations or communication items, be received; and
2. That the Long-Term Financial Planning Framework attached to Report FSD-044-23 be approved; and
3. That all interested parties listed in Report FSD-044-23, and any delegations be advised of Council's decision.

## Report Overview

The Municipality of Clarington has developed its first Long-Term Financial Planning Framework. The framework will be used as a guide for financial and strategic decision-making. The framework includes a set of principles, strategies, and processes that will be put in place to ensure the use of a sustainable funding model for the strategic priorities of Council. The Long-Term Financial Planning Framework is the first step in achieving an Integrated Long-Term Financial Plan.

## 1. Background

- 1.1 In the first quarter of 2023, the structure of the Financial Services Department was revisited to emphasize the importance of long-term financial planning. Given the expected growth and regulatory focus on future financial planning (asset management plans, development charges, community benefits charges, etc.) it was felt that a new Financial Planning division was required. The position of Manager of Financial Planning/Deputy Treasurer was subsequently created to lead the new division.
- 1.2 Long-term financial planning involves forecasting future revenue, expenses, and risk factors to ensure the financial capacity of an organization is aligned with its strategic objectives. The development of a Long-Term Financial Planning Framework (LTFPF) is the first step toward embedding long-term financial planning into the strategic decision-making of the Municipality.
- 1.3 The LTFPF for Clarington is included as Attachment #1 to this report. A summary of the report is provided in the section below.

## 2. Long-Term Financial Planning Framework

### Purpose

- 2.1 The purpose of the LTFPF is to identify the strategies, policies, and processes that are required to ensure the Municipality maintains a sustainable funding model for financing corporate initiatives and strategic priorities. The framework will ensure the Municipality is taking a long-term approach in projecting revenue, expenses, and potential risk factors.
- 2.2 The LTFPF is intended to be a complementary tool to the Municipality's annual budgeting process and will be used to inform all long-term financial planning decisions. The LTFPF includes a set of strategies, policies and processes that are designed to address current and future financial challenges. These challenges include, but are not limited to, expenditure pressures, new growth, inflation, and securing sustainable revenues and funding sources.

2.3 The LTFPF is designed to enable the Municipality to achieve the following goals:

- Ensure financial decisions are sustainable over the long term;
- Allow for financial flexibility to adapt to changing circumstances; and
- Minimize vulnerability to factors outside the Municipality’s control.

2.4 Upon Council approval of the LTFPF, staff will begin to develop and implement the strategies identified in the framework. Once the strategies have been fully developed and implemented, the corresponding documents and policies will combine to form the Municipality’s Integrated Long-Term Financial Plan.

**Principles**

2.5 The LTFPF is grounded on a set of foundational principles to help achieve the goals listed above. The table below identifies the three foundational principles:

Principle	Definition	Goal
Financial Sustainability	The degree to which a government can maintain its existing financial obligations, both in respect of its service commitments to the public and financial commitments to creditors, employees and others, without increasing the debt or tax burden relative to the economy within which it operates.	To be financially sustainable, now and into the future, by providing and maintaining programs and services at acceptable levels of taxation, user rates, and reserve fund balances.
Financial Flexibility	The degree to which a government can change its debt or tax burden to meet its existing financial obligations, both in respect of its service commitments to the public and financial commitments to creditors, employees and others.	To be able to adapt to changing circumstances and continue to meet financial obligations without an over reliance on debt or significant changes to taxes or user rates.
Financial Vulnerability	The degree to which a government is dependent on sources of funding outside its control or influence or is exposed to risks that could impair its ability to meet its existing financial obligations, both in respect of its service commitments to the public and financial commitments to creditors, employees and others.	To minimize vulnerability by avoiding an over-reliance on sources of funding outside municipal control or influence that could impact the ability to meet financial obligations.

2.7 In addition to the foundational principles, financial decisions will also be guided by a set of supplementary principles. These supplementary principles include ensuring financial transparency and intergenerational equity, while aligning financial decisions with strategic planning.

### **Strategies**

2.8 In order to achieve the goals of long-term financial planning and to adhere to the core principles, the LTFPF identifies strategies to be developed for the following key components:

- Capital and Asset Management
- Reserve and Reserve Fund Management
- Long-term Debt Management
- Investment Management
- User Fee Management

2.9 The LTFPF in Attachment #1 provides details on the strategies for each component, along with corresponding deliverables. Some of the key deliverables are:

- Developing long-term capital forecasts for inclusion in the annual budget;
- Developing a Reserve and Reserve Fund Policy, inclusive of target balances; and,
- Ensuring updated Strategic Plans, Asset Management Plans, Development Charge Studies, and Community Benefits Charge Strategies are fully integrated into the budget.

2.10 Long-term financial planning strategies are conscious practices and methods used to achieve a specific purpose and/or goal and to maintain the Municipality's financial health. The key financial planning principles will be considered and applied to each of the financial planning strategies identified.

### **Performance Measurement**

2.11 In order to ensure the LTFPF strategies and deliverables are achieving the desired outcome, a set of metrics will be developed to measure progress. This financial health scorecard will include quantitative metrics related to the three foundational principals.

- 2.12 The metrics will be developed through a scan of industry best practices and a review of data availability within the Municipality. Once the scorecard has been developed, it will be updated and presented annually by the Treasurer or designate.

### **3. Financial Considerations**

- 3.1 There are no direct financial considerations associated with the LTFFP. However, there will be future financial considerations associated with certain deliverables outlined in the framework (e.g. financial forecasts, Development Charge Studies, Asset Management Plans, etc.). The financial implications of these deliverables will be provided to Council at the time the documents are completed.

### **4. Concurrence**

Not Applicable.

### **5. Conclusion**

It is respectfully recommended that Council approve the Long-Term Financial Planning Framework as a means of providing staff with the direction to pursue the strategies, policies, and processes embedded in the framework. Once the strategies, policies, and processes have been put in place, the documents will combine to form an Integrated Long-Term Financial Plan for the Municipality of Clarington.

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Attachments:

Attachment 1 – Growing Clarington: Long-Term Financial Planning Framework

Interested Parties:

There are no interested parties to be notified of Council's decision.