



Online Tutorial

FINANCIAL SUSTAINABILITY PLAN

TOWN OF AJAX 2013

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WELCOME MESSAGE

In June 2013, Council approved a Financial Sustainability Plan (FSP), the most comprehensive update to strategic financial planning ever undertaken by the Town. The financial policies and practices adopted by current and past Councils, formed the foundation for the development of the new Plan. The Plan represents current municipal best practices, as well as “Made in Ajax” policies that reflect our specific and unique challenges/opportunities.

The Plan will serve Council and residents well into the future, with the Town’s short and long term financial strength and sustainability being the primary objectives. The Plan will be constantly monitored for effectiveness, in particular as the financial, economic, political and legislative environments change.

We hope this information package will give you a better understanding of the Town’s new plan. If you have any questions or would like further information, please email finance@ajax.ca

Ajax Council – 2011-2014



MESSAGES FROM **MAYOR** AND **DIRECTOR OF FINANCE**

"I am proud that Council unanimously approved the Financial Sustainability Plan, the most comprehensive financial planning document ever implemented by the Town. Economic, environmental, social and cultural sustainability can only be a long term reality if it is securely based on a community's financial sustainability. The plan will benefit not only today's residents and businesses, but also future generations."

Mayor Steve Parish

"Presently the Town is very financially sound, with a strong, growing reserve base and low debt levels. The Financial Sustainability Plan builds upon existing strategic financial planning and will ensure the Town's financial sustainability well into the future."

Rob Ford, CMA, AMCT

Director of Finance/Treasurer



GOALS AND PRINCIPLES OF THE PLAN

- Align with the objectives and strategies contained within the Community Action Plan
 - Ensure tax rates remain reasonable and competitive
 - Rebuild and further strengthen financial reserves
- Enhance the Town's short and long term financial strength and sustainability
- Provide a comprehensive framework to guide and assist priority setting and decision making by Council
- Protect and maintain the Town's infrastructure and other capital assets
- Maintain programs and services at their desired levels
- Provide the financial flexibility necessary to leverage future opportunities
- Minimize financial vulnerability during economic downturns
- Maintain a reasonable sharing of the tax burden between current and future taxpayers



FSP FOCUSES ON 3 KEY AREAS

The FSP was a comprehensive review of the Town's entire financial planning activities and processes, with **an ultimate focus on three key areas:**

- 1 Discretionary Reserves** – Funds set aside by Council for specific purposes
- 2 Long Term Debt** – Money borrowed to partially pay for the construction of new buildings and the expansion/repurposing of existing buildings
- 3 Capital Project Funding** – Funds for the construction of new and the maintenance of existing capital infrastructure



THE PLAN INTRODUCED THE FOLLOWING 5 NEW COUNCIL APPROVED POLICIES



▶ 1 FINANCIAL SUSTAINABILITY PLAN

- An overview that identifies the plan's Goals & Objectives, the policies that support the plan and the other financial planning tools used by the Town

▶ 2 DISCRETIONARY RESERVE ADMINISTRATION

- Outlines the processes for allocating interest to reserves, increasing and approving the annual budget allocations to reserves and the distribution of any operating budget surplus to reserves

▶ 3 DISCRETIONARY STABILIZATION RESERVES

- Specifies the allowable uses for the Stabilization and Election Reserves. Sets the balance of the Stabilization Reserve at 5% of the Town's Net Revenues

▶ 4 DISCRETIONARY CAPITAL RESERVES

- For the eleven capital reserves, identifies their revenue sources and use in the Capital Budget/Long Range Capital Forecast

▶ 5 LONG TERM DEBT MANAGEMENT

- Details the purposes for which debt can be issued, the maximum debt per project, use of the tax room from retired (paid-off) debt, sets a limit on the total debt the Town can issue, and addresses a number of debt related administrative matters

The following six existing financial policies remain in place as part of the Town's overall financial management and planning:

- | | | |
|--------------------------------|-------------------------------------------|----------------------------|
| 1. Capital Expenditure Control | 3. Annual Review of User Fees and Charges | 5. Commodity Price Hedging |
| 2. Operating Budget Management | 4. Investments | 6. Leasing |

GO FORWARD LIST OF RESERVES OBSERVATIONS & CHANGES - PART I

Discretionary Reserves (funds set aside for specific purposes) are often erroneously and incorrectly referred to as “rainy day funds”. In fact, nothing could be further from the truth, as reserves fulfill a critical financial need for municipalities, both now and for the future. These reserves directly contribute to minimizing tax rate increases, building new capital infrastructure and maintaining the infrastructure previously constructed.

STABILIZATION RESERVES

Utilized to eliminate or minimize tax rate increases that could occur due to significant, non-recurring operating budget changes (expenditure increases or revenue losses). The two stabilization reserves are summarized below.

Reserve Name	Purpose
Election	• Fund full cost of municipal election held every 4 years
Stabilization	• To minimize tax rate increases due to short term events beyond the Town’s control and to offset an operating budget deficit

Three existing reserves, Working Funds, Insurance and Tax Rate Stabilization all functioned as stabilization type reserves. As a result, they were eliminated and merged into the newly created Stabilization Reserve.



CAPITAL RESERVES (PART II)



CAPITAL RESERVES (PART II)

As indicated by the name, these reserves provide funding for new capital projects, as well as the maintenance of existing capital infrastructure. As detailed below, there are a total of 11 capital reserves.

NEW RESERVES

Reserve Name	Purpose
Capital Contingency	<ul style="list-style-type: none"> Town's share of Federal/Provincial capital grant programs and unbudgeted capital projects
Development	<ul style="list-style-type: none"> Partial funding for new capital as well as waterfront improvements
Roads Maintenance	<ul style="list-style-type: none"> Includes roads, bridges, streetlights, sidewalks, curbs, etc.
General Infrastructure Maintenance	<ul style="list-style-type: none"> Repair/maintenance/rehabilitation of other infrastructure (e.g. playgrounds, trails, parks, sports fields, etc.)
Strategic Initiatives	<ul style="list-style-type: none"> Traffic calming, studies, projects from Community Action Plan

RESERVE KEPT – EXPANDED USE

Reserve Name	Purpose
Building Maintenance	<ul style="list-style-type: none"> Now includes renovations, parking lots, surrounding lands
Vehicle/Equipment Replacement	<ul style="list-style-type: none"> Expanded to fund equipment replacement for Fire, Fitness Centre, computer hardware and software

CAPITAL RESERVES (PART II continued)



RESERVES KEPT - NO CHANGE

Reserve Name	Purpose
CIP Development Improvement	<ul style="list-style-type: none"> Capital projects within the Downtown Community Improvement Plan (CIP) area
Debt Reduction (Slots)	<ul style="list-style-type: none"> Reduce the amount of long term debt required and to offset the budget impact of payments on existing debt
Debt Repayment	<ul style="list-style-type: none"> Reduce the amount of long term debt required
Post Growth Capital	<ul style="list-style-type: none"> Not currently used in the budget; in the future as growth slows, will be used to maintain infrastructure built during the prior growth period

RESERVES ELIMINATED

Reserve Name	Reason for Elimination
Capital Projects	<ul style="list-style-type: none"> Current use was too broad based; balance reallocated to other reserves, primarily to infrastructure maintenance and stabilization
Entrance Gate Maintenance	<ul style="list-style-type: none"> Small balance and no sustainable revenue source; funds moved to General Infrastructure Maintenance Reserve
Infrastructure (Slots)	<ul style="list-style-type: none"> Current use limited to roads, trails and economic development; funds moved to other infrastructure maintenance reserves
Property Acquisition	<ul style="list-style-type: none"> Small balance and no current revenue source; funds moved to Strategic Initiatives Reserve
Public Art	<ul style="list-style-type: none"> Small balance; funds moved to Strategic Initiatives Reserve
Storm Water Maintenance	<ul style="list-style-type: none"> No sustainable revenue source; funds moved to General Infrastructure Maintenance Reserve
Town Promotion	<ul style="list-style-type: none"> Small balance and no current revenue source; funds moved to Strategic Initiatives Reserve

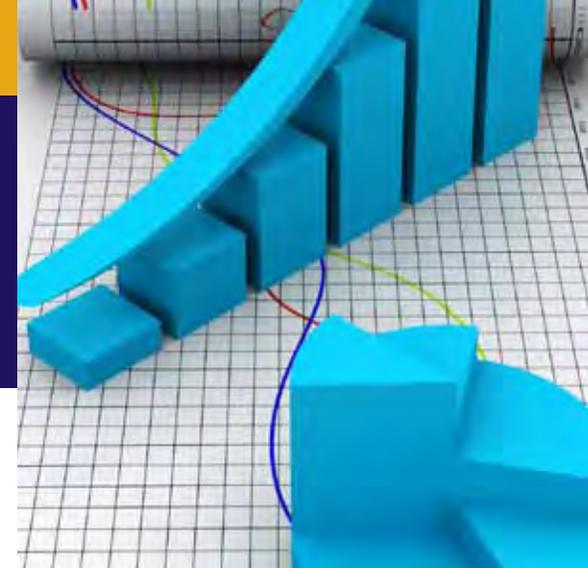
CAPITAL **VS.** OPERATING

Capital Budget and Long Range Capital Forecast

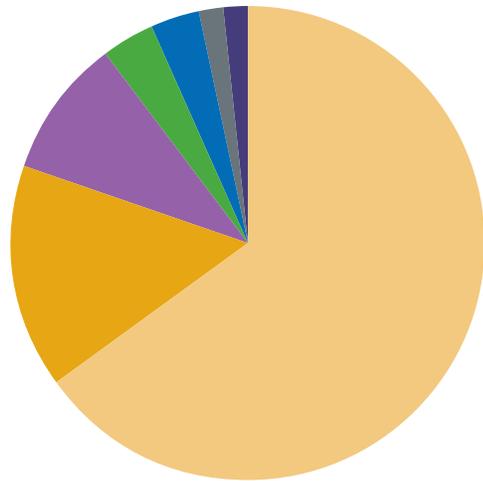
One time expenditures for major projects (often referred to as “infrastructure”) such as roads, vehicles/equipment, parks, sidewalks, trails, streetlights, playgrounds and buildings. It includes both the development or purchase of new, and the maintenance/rehabilitation of existing infrastructure.

Operating Budget

The expenditures (e.g., wages/benefits, supplies, contracted services, utilities, etc.) required to deliver day to day Town services.



REVENUES (2013 OPERATING BUDGET)



65.1%	Property Taxes \$46,786,400	3.4%	Development Revenues \$2,433,700
15.2%	User Fees, Licenses, Fines \$10,929,500	1.6%	Reserves \$1,124,400
9.5%	Slots Revenues \$6,850,500	1.5%	Interest Income & Other Revenues \$1,074,900
3.7%	Veridian Revenues \$2,624,800	100%	Total \$71,824,200

Learn more:
▶ **SLOTS REVENUE FACTS**

Slots & Veridian Revenues

The allocation of the Town’s two major non-tax revenues, Slots and Veridian, to discretionary reserves, remains in place under the FSP. Including these as unallocated revenue in the operating budget is an unsound financial practice. To do so is a significant financial risk. Should the revenues decline or disappear in the future, the impact would be catastrophic and could include large tax rate increases and/or a reduction in services. The allocation of these revenues, which has been revised, is detailed below:

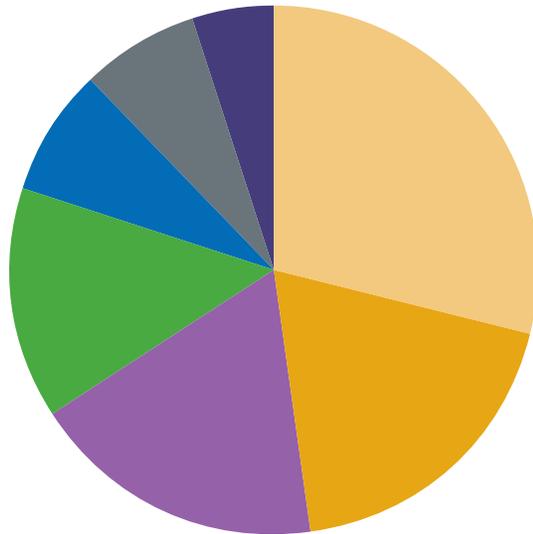
Reserve Name	Slots**	Veridian
Debt Reduction	25%	N/A
Building Maintenance	10%	20%
Development	25%	20%
General Infrastructure Maintenance	10%	15%
Roads Maintenance	10%	15%
Strategic Initiatives	5%	5%
Vehicle/Equipment Replacement	15%	25%

**Net of grandfathered grants program and social infrastructure funding

Allocation of Operating Budget Surplus

The Plan also continues the sound financial practice of allocating any operating budget surplus to reserves. The exact reserves that will receive the allocation will vary from year to year, and will be based on an analysis of the Town’s financial priorities at that time. Including the surplus in the operating budget carries the same risk as noted for the Slots and Veridian revenues.

NET OPERATING BUDGET



- 29%** **Fire & Emergency Services**
Suppression, prevention, communications
- 19%** **Works Maintenance**
Roads, sidewalks, streetlights, winter control
- 18%** **Governance & Corporate Services**
Finance, By-Law, HR, Council
- 14%** **Recreation & Culture**
Arenas, community centres, leisure programs

- 8%** **Parks Maintenance**
Playgrounds, sports fields, trails
- 7%** **Library**
Loan of books/DVDs, programs, information
- 5%** **Planning & Development**
Building, planning, economic development
- 100%** **Total**



ANNUAL BUDGET CYCLE



March -
June

- Planning begins for next year's budget/forecast



July

- Council approves budget/forecast timetable
- Departments begin work on their General Levy Forecast



August

- Work begins on Operating Budget Forecast



September

- Deadline for submission of General Levy Forecast and Operating Budget Forecast
- Work begins on Operating Budget submission and preliminary Capital Budget/Long Range Capital Forecast (LRCF) information



October

- General Levy Forecast presented to General Government Committee and target tax rate increase established by Council
- Deadline for submission of Capital Budget/LRCF
- Operating Budget Forecast presented to General Government Committee



November

- Deadline for submission of Operating Budget
- Work continues on Capital Budget/LRCF



December

- Capital Budget/LRCF and General Levy Reserve Allocations presented and reviewed by General Government Committee at Public Budget meeting
- Capital Budget/LRCF and General Levy Reserve Allocations approved by Council
- Work continues on Operating Budget



January

- Work continues on Operating Budget
- Departments begin current year approved capital projects



February

- Operating Budget presented and reviewed at General Government Committee Public Budget meeting
- Operating Budget approved by Council

Learn more:

► **UNDERSTANDING THE BUDGET PROCESS**