FINANCIAL SUSTAINABILITY PLAN DRAFT RECOMMENDATIONS

Capital Project Funding

Methodology

- Full conversion to a reserve based funding model
- Previous method was a combination of general levy and reserves

Issues Resolved

- Funding conflict, when distinctly different capital needs are competing for the same funding source, has been eliminated
- Correctly aligns major and minor infrastructure maintenance in the Capital and Operating budgets respectively
- Increased funding to help clear the backlog of major infrastructure rehabilitation and maintenance demands

Discretionary Stabilization Reserves

Election Reserve

- No change

Stabilization Reserve

- Three existing reserves merged into one single reserve
- Will operate the same as the current Tax Rate Stabilization and Working Funds reserves
- Based on GFOA best practices recommendation, balance will be set at 5% of own source revenues

Discretionary Capital Reserves

- Total capital reserves have been reduced from 13 to 12
  - 7 reserves maintained; 5 added and 6 have been eliminated
- Infrastructure Reserve (Slots) merged with three other infrastructure reserves
- Balance of Capital Contingency set at $2,500,000
- Allocation to Post Growth increased from 10% to 15% of annual assessment growth
- Establishing target balances deferred until first major plan update

Allocation of Slots & Veridian Revenues

Slots

- Will continue to fund "grandfathered" grants program and Town managed Social Infrastructure Funds

- Allocation to Debt Reduction Reserve reduced from 50% to 25%

- Remainder to be allocated to 6 capital reserves
  - 3 - Infrastructure Maintenance; Roads, Buildings, General
  - 1 - Vehicle/Equipment Replacement
  - 1 - Development
  - 1 – Strategic Initiatives

Veridian

- Allocated to the same 6 capital reserves as the Slots revenue
- % allocations are different than Slots

Town of Ajax By the Lake

Discretionary Reserve Policies

1) General Levy reserve allocations to be approved in December, as part of the Capital Budget/LRCF

2) General Levy allocations to increase annually, by a minimum of 25% of assessment growth

3) All general levy interest above 2013 budget, to be allocated to the capital reserves

4) Target spending or funding "cap" of 65% of revenues, to be applied to all capital reserves; will be used as a guideline

5) Allocation of Operating Budget Surplus
   - first to Stabilization Reserve to meet balance requirement
   - remainder based on staff recommendation, subject to Council approval

Long Term Debt Policies

1) Purposes for which Debt can be Issued
   - no change; new buildings or expansions and repurposing

2) Length of Debenture
   - Goal remains 15 years, but can go to 10 or 20 years

3) Maximum Debt per Project
   - Debt restricted to 30% of total project cost

4) Tax Room from Retired Debt
   - Transfer to Building Maintenance Reserve to be added to current practice of allocating to the Debt Repayment Reserve

5) Third Part Debt & External Revenues
   - Town will not issue on behalf of or guarantee debt for external third parties
   - Debt payments cannot be reliant on the receipt of future revenues

6) Maximum Debt Limit
   - Provincial limit – debt payments cannot exceed 25% of revenue (excluding internal debt)
   - Town Limit – 7.5% of revenue, including internal debt

Related Items

Supplementary Tax Revenue

- Budget to be capped at current $500,000

- Any surplus to be allocated to Post Growth Reserve

Reserve Reallocations/Jan. 1, 2014 Opening Balances

- Final report will request that authority to be delegated to the Director of Finance/Treasurer to complete this work

- Full report will be presented to GGC when complete

Benefits of the FSP

- More focused and effective priority setting by Council
- Decision making tool for Council, during and after budget
- Flexibility to manage and adjust to changed circumstances
- Protection from negative financial impacts resulting from external factors beyond the Town's control (e.g. economy, slots revenues, etc.)
- Immediate increase in capital spending on critical infrastructure
- Guaranteed annual increases in total reserve balances

Benefits of the FSP

- Taxation revenue from growth applied to growth related needs
- Reasonable, consistent, predictable tax rate increases
- Tax burden fairly shared between existing and future taxpayers
- “Made in Ajax” solution; designed to fit our unique needs