

LONG-TERM FINANCIAL PLANNING FRAMEWORK

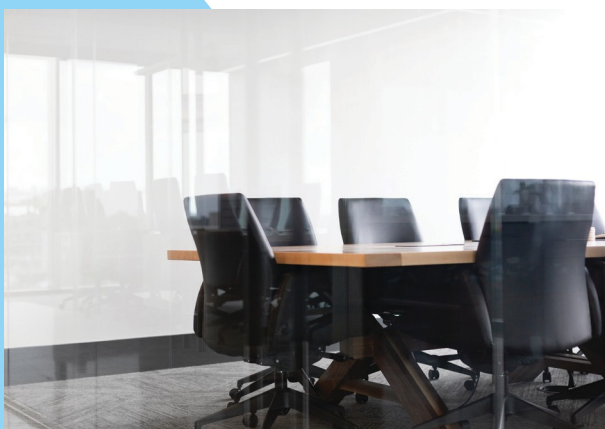
Region of Durham
Finance Department



OCTOBER 2019



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MESSAGE FROM THE COMMISSIONER OF FINANCE

From public transit, to childcare, to clean drinking water, the Region of Durham provides a number of essential services that our community members rely on every day. We pride ourselves on meeting the needs of taxpayers and delivering these services through leadership, innovation and co-operation. The Region of Durham is one of the fastest growing communities in the Greater Toronto Area, and as our community continues to grow, our service delivery needs grow with it.

The goal of our long-term financial plan is to ensure financial sustainability, flexibility, and affordability for our residents as we meet the service demands of our growing and diverse community. The plan provides a framework for balancing the current financing needs of our daily operations, with an eye towards the long-term financial health of the organization. The plan uses a combination of industry best practices to ensure long-term financial risks are identified early, and any long-term debt remains manageable and affordable.

The Region of Durham has always had a commitment to strong financial management. Our Triple A credit rating is a testament to our sound financial planning, policies, and strategies. Our long-term financial plan ensures our continued support for transparency, accountability, and equity in all financial decision making. This plan is meant as a roadmap for continuing our strong financial management now, and in the future.



Nancy Taylor, BBA, CPA, CA
Commissioner of Finance



BACKGROUND



12,600
businesses
that provide
over **200,000**
jobs in the
Region.

The opportunities and challenges highlight the importance of the Region's long-term financial planning framework to support and advise business plans and budgets, and five-year operational and 10-year capital forecasts.

Durham Region is part of the Greater Toronto Area and is a fast-growing community. Durham's population is forecast to continue to grow to 1.2 million residents by 2041. The diversification of Durham's economy has been accelerated by the presence of a relatively young, educated and skilled labour force, advanced utilities, and extensive and integrated infrastructure. The Region supports the continued growth of 12,600 businesses that provide over 200,000 jobs in the Region.

Durham has long standing financial policies and principles and follows best practices, which have been recognized for long-term financial sustainability and a triple A credit rating.

Looking ahead, pressure to increase service levels for residents and businesses will continue as the Region grows. This supports an increased emphasis on service plans. There will also continue to be the need to invest in infrastructure and fund new emerging strategic priorities. It is also anticipated Durham will be facing a number of emerging challenges.

DURHAM SPECIFIC OPPORTUNITIES AND CHALLENGES INCLUDE:

-  Balancing investment in growth-related infrastructure with asset management needs;
-  Increasing service levels (with emphasis on service plans) to accommodate growth;
-  An expanding and increasingly diverse population with changing serviceneeds;
-  New technology and innovation to modernize services, achieve efficiencies and enhance client experience;
-  Accelerate the servicing of employment lands to attract new jobs to Durham;
-  Climate change mitigation and adaptation strategies for assets and service delivery;
-  Limited tools to raise or diversify revenues, taxpayer fatigue and affordability; and
-  Implications from senior government policies and grants and internationaleconomics.



VISION AND OUTCOMES

Durham's updated long-term Financial Planning Framework provides an integrated and co-ordinated focus on funding Regional Council's new priorities, accommodating growth, and investing in infrastructure and service levels, with stable taxes and user rates.

VISION

Regional Council's strategic service delivery and infrastructure priorities are proactively addressed, with a commitment to financial sustainability, flexibility and affordability.

OUTCOMES

- Ensures transparency and accountability;
- Consistent with best practice and regulatory requirements;
- Considers fiscal and economic challenges, uncertainties and opportunities;
- Supports sustainability by maintaining financial forecasting, risk assessments and business case approach;
- Provides financial tools and policies to safeguard long-term financial capacity, stability and flexibility to accommodate Council's strategic priorities;
- Supports business planning and budget decisions, by balancing expenditure and revenue needs with longer-term property tax and user rate payer affordability and stability;
- Provides assurance to external stakeholders (e.g. bond raters, investors and the public) that the Region is well managed; and
- Ensures ability to seize new opportunities as well as address future challenges.





GUIDING CORE FINANCIAL PLANNING PRINCIPLES

Durham's long-term Financial Planning Framework is based on the following three core principles, and recognizes the reality of limited financial resources:

LONG-TERM FINANCIAL PLANNING PRINCIPLES

FINANCIAL FLEXIBILITY

Addressing and adapting to changes (both in the internal and external environment), uncertainties and liabilities while avoiding an over-reliance on debt and other potentially negative impacts to multi-generational taxpayer and user rate affordability.

FINANCIAL SUSTAINABILITY

Ensuring the continued ability to fund Regional Council approved programs, priorities, service levels and infrastructure needs over the long term.

FINANCIAL AFFORDABILITY

Meeting the needs of a growing, diverse and evolving population and business community without undue burden on residential and non-residential property taxpayers and user rate payers.



LONG-TERM FINANCIAL PLANNING FRAMEWORK

Durham’s long-term financial planning framework provides a corporate based integrated and co-ordinated approach, guided by the vision, objectives and the three core financial principles.

DURHAM REGION FINANCIAL PLAN AND FRAMEWORK:

Recommended Vision

Regional Council’s strategic service delivery and infrastructure priorities are proactively addressed, with a commitment to financial sustainability, flexibility and affordability.

Financial Planning Principles



Sustainability



Flexibility



Affordability

Long-term Financial Goals / Objectives

Maintain & Enhance Service Levels & Infrastructure

Accommodate Growth

Fund Strategic Investments & Priorities

Stable Taxes & User Rates



RECOMMENDED APPROACH

Approved Strategic Plans



Program Reviews / Performance Measurement



Asset Management & Capital Forecast



Long-term Financial Plans / Strategies



Financial Implications, Risk & Business Case



Enhanced Business Planning & Budget Process



LONG-TERM FINANCIAL PLANNING PROCESS



1 APPROVED STRATEGIC PLANS

- > Strategic planning guides the allocation of resources through identification of priorities.

2 PROGRAM REVIEWS & PERFORMANCE MEASUREMENT

- > Program based budgets include proposed investments, costs, financing and deliverables for each specific program to assist with benchmarking.
- > Reference to strategic plans, goals, and objectives and service plans.

3 ASSET MANAGEMENT & CAPITAL FORECASTS

- > Multi-disciplinary departmental staff annual review of all Regional assets.
- > Short and long-term capital forecasts.
- > Best practice of allocating funds to address priority asset rehabilitations and replacements based on condition, service levels, risk and climate change.

4 LONG TERM FINANCIAL PLAN & STRATEGIES

- > Long term outlook through the Economic Update and Long-Term Forecast reports.

- > Identify key corporate cost drivers and financial implications.
- > Economic and fiscal environment and implications to Durham.
- > Development of strategies to finance priorities, growth and innovation/modernization.

5 FINANCIAL IMPLICATIONS, RISK & BUSINESS CASES

- > Multi-disciplinary departmental staff collaborative assessment of major capital projects.
- > Risk assessments and mitigation strategy development.
- > Readiness for senior government grant funding opportunities.
- > Flexibility to enhance innovation and streamlining.

6 ENHANCED BUSINESS PLANNING & BUDGET PROCESS

- > Modern, streamlined, transparent and inclusive business planning and budget process.
- > Robust multi-year program based capital and operating budgets and forecasts.
- > Detailed analysis of budgetary needs and priorities.
- > Imbedded public engagement in Business Planning and Budget Process.
- > Business Planning and budget process allocations are aligned with Region's Strategic Plan and key planning documents.

SUPPORTING FINANCIAL POLICIES AND RESERVE/RESERVE FUNDS

The Region has many well-established supporting financial policies and by-laws that:

- > Institutionalizes good financial management practices, promoting stability and continuity;
- > Crystallizes strategic intent for financial management creating a shared understanding of how to manage resources to create the best value to the community;
- > Defines boundaries for delegated powers and staff actions;
- > Supports bond ratings and contributes to lower costs of borrowing;
- > Promotes strategic thinking through a long-term perspective;
- > Provides an important mitigation tool for risks to long-term financial condition; and,
- > Complies with established best public management practices.



SUPPORTING FINANCIAL POLICY/BY-LAW/BEST PRACTICE

PURPOSE

Development Charge Background Study/Bylaw & Growth Pays for Growth	Used to partially fund growth related capital costs.
Debt Management	Issuance of debentures for major capital projects.
Pay As You Go Financing	Use of accumulated funds for capital when feasible and appropriate, supplemented with debt if necessary.
Grants Policy	Provides parameters of Regional grant funding.
Budget Management Policy	Accountability framework by establishing authority and reporting requirements for spending decisions.
Purchasing By-Law	Governs the acquisition of goods and services.
Investment Policy	Governs the Region's investment of funds.
Full Cost Recovery User Rates (Water & Sewer)	Water and sewer funded from user rates on a full cost recovery basis (no property tax).
Tangible Capital Assets Policy	Defines capital assets and capitalization.
Corporate Strategic Asset Management Policy	Guides the Region's asset management process and informs business plans and budgets of capital repair, rehabilitation and replacement needs.
Reserve and Reserve Funds	Maintenance of adequate levels provides financial flexibility. Used for expenditures as appropriate where beneficial and feasible to do so.