



**STRATEGIC FINANCIAL PLAN
2007 to 2010**

January 2008

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1.0 INTRODUCTION

Historically, a municipality's financial management has consisted of the preparation of annual operating and capital budgets, and the completion of annual financial statements. However, throughout the 1990's and thus far through the current decade, there have been significant changes for municipal governments across Ontario that have had major impacts on the financial resources of municipalities and the management of these resources. Some of these changes affecting Ontario municipalities include:

- The downloading of responsibilities from senior levels of government.
- Increases in operating costs.
- Declines in sources of revenue.
- The need for increased capital spending due to aging infrastructure.
- Pressures resulting from growth, or in some cases, declining populations.
- Demands for new services or increases in service levels from councils and the community.
- Changes in citizen expectations and values as they relate to the services and programs provided by their municipal governments.
- Resident and business demands to limit property tax increases.

For several years, municipal governments throughout Ontario have been developing ways to deal with these significant changes that are putting a strain on both the way that municipalities operate and the way that they finance their operations. In the past, the City has not fully utilized an overall planning framework for dealing with this changing environment. In 2005, 2006, and 2007, the City has begun its own organizational change process to deal with this changing environment. The approach to organizational change that the City is utilizing is one that focuses on the setting of priorities and having a long-term perspective when making decisions. Several components of this new approach have been initiated over the past couple of years, including:

1. A Community Strategic Plan – “Shaping Our Future” to be used as a priority-setting tool for City Council, staff and community.
2. A new budget process that is more open, transparent, and provides choices to assist City Council in its budget decision making process.
3. A Business Plan approach that provides an operational linkage between the Community Strategic Plan and the budget process.
4. Departmental Work Plans that provide an accountability component that focuses on the priorities of the Strategic Plan and a Department's annual financial resources approved by City Council through the budget process.

2.0 LINKAGE – LONG TERM FINANCIAL PLANNING AND THE CITY'S COMMUNITY STRATEGIC PLAN

In January 2006, City Council adopted the City's first Community Strategic Plan – "Shaping Our Future". The City's Strategic Plan identifies the community's vision, goals, long term desired outcomes, and strategic actions, which serve as a blueprint to guide the City's major planning initiatives and decision-making process. The Strategic Plan must have a financial component in order to provide for realistic outcomes. Through long term financial planning, the City's financial condition is put into perspective by identifying the current trends and by developing strategies consistent with the overall direction of the Strategic Plan.

This desire to move towards long term financial planning is identified as one of the Strategic Plan Actions, which states that the City will prepare a strategic financial plan for the municipality.

There are also many references in the Strategic Plan that deal with the issue of the City's financial management. The following are specific Long-Term Desired Outcomes from the Strategic Plan related to this issue:

- *Brantford will have a strong diversified economic base that provides its citizens with excellent local job opportunities.*
- *Brantford will be a business friendly community.*

Both of these outcomes include maintaining or improving the City's competitiveness as it relates to the issue of property tax rates and user fees associated with the City's commercial and industrial communities, both of which provide employment opportunities for the residents of the City.

- *Brantford citizens and visitors will enjoy a full range of well-supported and maintained arts, heritage, culture, sports and recreational facilities and programs.*

This outcome recognizes the desire to appropriately fund and maintain the cultural and recreational services, which improve the quality of life for the community.

- *Brantford will be supported by well-developed and maintained transportation and servicing infrastructure.*

This outcome includes the proper funding and maintenance of the community's infrastructure and assets.

- *Brantford will be recognized as a fiscally responsible and well-managed City that provides efficient and effective government services.*

This outcome provides the strategic direction for improved financial management and the desire to maximize the financial resources of the City to provide the most cost efficient and effective services to the community.

3.0 WHY IS LONG TERM FINANCIAL PLANNING IMPORTANT?

Like any other organization, a municipality's financial condition is a critical factor that must be understood in order for a municipality to operate in an effective and efficient manner. The financial condition of a municipality can be judged on the basis of the following criteria:

- The predictability and stability of the municipality's revenue sources to its operational needs and long-term obligations.
- The municipality's capacity to respond to financial uncertainty over the short, medium and longer terms.
- The effectiveness of the municipality's financial policies and procedures.

A review of the financial condition of a municipality involves the following:

- Assessing the municipality's ability to provide for the range and quality of services expected by the community.
- Assessing the appropriate mix of revenues from a variety of sources.
- Assessing the state of repair and replacement cycles for the municipality's infrastructure and assets.
- Determining the appropriate level of reserve funds to deal with future liabilities and assessing whether current levels are adequate.
- Being prepared for liabilities and other future risks, which might not be determinable at this point in time.
- Determining a tax burden policy that provides stability and is equitable to all in the community.

The financial environment for municipal government has fundamentally changed. As a result of this changed environment, the City cannot continue to conduct business in the same way that it has in the past. The City needs to move forward by undertaking a fundamental change in its business practices to address its custodial responsibilities to the taxpayers.

Long term financial planning is a strategic process that provides municipal governments with the insights and information they need to make the choices necessary to establish financial sustainability into the future. A municipality's financial sustainability is its ability to maintain services and infrastructure, while at the same time maintaining a healthy "balance sheet".

4.0 THE CITY'S FIRST STRATEGIC FINANCIAL PLAN

4.1 What is a Strategic Financial Plan?

The initial step in the long-term financial planning process is the development of a "Strategic Financial Plan". Such a plan contains a statement of principles and policies approved by City Council to guide the financial decision-making of the municipality, with the goal being to ensure that the municipality is in a sound financial position so that it can provide services to the community, together with the associated infrastructure and assets, in an affordable way by making decisions consistent with the Plan. A Strategic Financial Plan also facilitates the City's ability to enter into "beneficial" partnerships with other municipalities, levels of government, as well as both the private and not-for profit sectors to achieve the Strategic Plan's desired outcomes.

The following is a statement of the purpose and outcomes of the City's proposed Strategic Financial Plan:

Purpose: The Strategic Financial Plan is a framework to guide City Council, and the City's departments, boards and committees in their decision-making processes to ensure that the City:

- Maintains services and programs at their desired levels.
- Remains competitive in the regional economy.
- Protects and maintains its assets.
- Accounts for and properly funds its liabilities.
- Maintains the necessary cash flows.
- Maximizes its financial flexibility.
- Minimizes financial vulnerability during challenging times or situations.
- Strives to establish a stable and equitable tax burden policy for the community.
- Balance the mix of revenue sources.

Outcome: An improved and strengthened long-term financial health for the City.

4.2 Assumptions

Certain basic factors will affect how the City makes decisions for the future. The following assumptions underpin the principles and policies of the Strategic Financial Plan:

- Future funding from other levels of government will be limited.
- Financial risk to the municipality will be minimized.
- The City will be a partner in the community's success.
- The City will become more effective and efficient in the provision of its services to the community.
- The City will be a growth community.
- The City will have a stable and equitable tax burden policy.

5.0 DEVELOPMENT OF THE STRATEGIC FINANCIAL PLAN

5.1 Conceptual Context

The conceptual framework for the City's Strategic Financial Plan is a systematic approach that:

- Reviews the City's past and current financial situation and anticipates future needs by examining its strengths, weaknesses, opportunities and threats. **(Environmental Scan)**
- Identifies fundamental financial issues. **(Issue Identification)**
- Analyzes the challenges associated with each of the fundamental issues. **(Analysis)**
- Develops policy statements that deal with the challenges. **(Policy Formulation)**
- Integrates the policy statements into a financial strategy. **(Final Strategy)**
- Develops an action plan for the financial strategy. **(Implementation)**
- Makes decisions that are consistent with the Council approved Plan. **(Decision-Making)**
- Monitors the progress of the policies and actions. **(Monitoring)**
- Reviews and updates the Plan on a regular basis. **(Plan Updates)**

5.2 How We Got To this Point

In 2006, Finance Staff undertook a SWOT Analysis. Once completed, this Analysis was presented to the Finance Committee for discussion.

The results of this Analysis identified the following four fundamental financial issues facing the City:

- Lack of a long-range view towards the management of the City's financial resources.
- Expenditure pressures, many of which are beyond the City's control, due to inflationary cost increases for many items and continuously increasing demands for services.
- Insufficient revenue growth to support expansion in operating and capital requirements.
- Asset degradation due to insufficient funding and the increase in outstanding liabilities, which add to future costs.

At a City Council Strategic Retreat held in April 2007, staff presented specific challenges under each of the following headings that reflect these four fundamental financial issues:

- Long Range Financial Planning Challenges.
- Expenditure Challenges.
- Revenue Challenges.
- Asset and Liability Funding Challenges.

Staff undertook an analysis of each of these challenges and developed corresponding policy statements to address them. The number of policy statements varies for each challenge depending on the nature and scope of the challenge.

All of the policy statements were integrated into a financial strategy, which is the essence of the City's first proposed Strategic Financial Plan.

5.3 Guiding Principles

In order to successfully achieve the outcome of an improved and strengthened long-term financial health for the City, the Strategic Financial Plan must balance the four predominant financial issues, which now face the City and will continue to do so into the future. It is important that overall guiding principles be used to assist in the resolving and balancing of these issues. These guiding principles are as follows:

- Need to focus on cost efficient and effective service and program delivery.
- Need to maximize revenues through a variety of sources.
- Need for the responsible use of debt.
- Need to properly fund physical assets and liabilities.
- Need for competitive property tax rates and user fees.
- Need for long term financial planning as the basis of sound financial management.
- Need to accept that growth must pay its appropriate share of growth related infrastructure costs.

5.4 The Timeframe of the Strategic Financial Plan

With the term of City Council being four years (till 2010) and the City's Strategic Plan also having a timeframe extending to 2010, the timeframe of the Strategic Financial Plan should logically coincide with these two events. Therefore, if approved, this Strategic Financial Plan will be in effect from 2007 to 2010.

It is anticipated that at the start of the next term of the new Council, a major review of the existing Strategic Plan would be undertaken, together with a review and update of the Strategic Financial Plan taking into account the priorities of the new City Council and the financial forecasts of the City at that time.

5.5 The Strategic Financial Plan and the Annual Budget Process

The Strategic Financial Plan will be an integral part of the City's annual budget process. The direction of the annual budget process will be consistent with the principles and policies of the Strategic Financial Plan.

6.0 LONG TERM FINANCIAL PLANNING CHALLENGES

6.1 Challenge #1 - Lack of pre-agreed to priorities for budgetary purposes

6.1.1 The Challenge

Setting priorities is a critical component of an effective budget process for any organization. In 2006, City Council adopted its first Strategic Plan, which was intended to remain valid until 2010. The Strategic Plan includes 44 Strategic Actions that are to be addressed over the life of the Strategic Plan. Many of the Strategic Actions have budgetary implications. To effectively deal with the Strategic Actions and their associated financial implications, there is the need for Council Priority Setting with the intent being to identify those priorities that Council wishes to focus on for its term.

6.1.2 The Policy Statements

The following Policy Statements have been developed to deal with this challenge:

Policy #1 At the start of the term of Council, the City will undertake a comprehensive review and update of the Strategic Plan and identify priorities key intended outcomes and actions, including measurable results for each action.

Policy #2 At the beginning of each of the subsequent years of the term of Council, a Priority Setting Session will be held to revisit and update Council's strategic and financial priorities.

6.2 Challenge #2 - The need to improve the Capital Budget process

6.2.1 The Challenge

The City currently has Capital Budgets that focus on a single year and has used a limited framework to corporately prioritize capital projects. Improvements are needed to the Capital Budget process to allow City Council and staff to have a more corporate and long-term view of the City's capital investments and funding requirements.

6.2.2 The Policy Statements

The following Policy Statements have been developed to deal with this challenge:

Policy #1 The City will move to a Five-Year Capital Budget process with detailed project and financial information identified for each year. The Five-Year Capital Budget will be reevaluated and updated on an annual basis by staff for consideration by the Finance Committee.

Policy #2 A corporate prioritization process will be established for all capital projects. All projects shall be consistent with the City's Community Strategic Plan, Council's Priorities, and supplemented with the following criteria related to priority allocation for expenditures:

- Mandatory
- Safety/Health
- Maintenance of Infrastructure
- Expansion & Growth
- Other

6.3 Challenge #3 - The business community's request to reduce property taxes

6.3.1 The Challenge

The Provincial Government has established a "Range of Fairness" for property tax ratios with the objective to achieve property tax fairness between the Property Classes. The business community through the Brant/Brantford Chamber of Commerce has requested that the City move to this "Range of Fairness" by reducing the City's tax ratios for the Multi-Residential, Commercial and Industrial Property Classes over a ten-year period.

The current tax ratios for the Multi-Residential, Commercial and Industrial Property Classes in relation to the Provincial "Range of Fairness" are:

- Multi-Residential tax rates are 2.14 times the Residential tax rate and are above the Range of Fairness.
- Commercial tax rates are 1.94 times the Residential tax rate and are above than the Range of Fairness.
- Industrial tax rates are 2.93 times the Residential tax rate and are above the Range of Fairness.

As part of the 2007 Budget process, City Council took a first step consistent with achieving greater equity in tax burden by reducing the tax ratio differentials by 5% for the Multi-Residential and Commercial Property Classes. These reductions resulted in a shift of the tax burden to the Residential Property Class.

City Council not only recognized the need to move in the direction requested by the Chamber of Commerce, but it also recognizes the need to balance these reductions in order to manage the impact of tax shifting to the Residential Property Class. A comprehensive long-term approach to this challenge should be developed in the short term.

In addition, City Council also recognized the impact that any budget increase has on the Industrial Property Classes by complying with Provincial legislation, which requires that municipalities reduce the Industrial tax ratio so that there is no budget impact on the Industrial Property Classes.

6.3.2 The Policy Statements

The following Policy Statement has been developed to deal with this challenge:

Policy #1 In 2008, staff will develop an action plan to reduce property tax ratios for the Multi-Residential, Commercial, and Industrial Property Classes for consideration by Finance Committee. This plan will take into account that the timeframe to implement any reductions to these three Property Classes must be balanced to manage the impact of the shift in the tax burden to the Residential Property Class by maintaining residential property taxes to the average property owner at a level that is competitive with the City's comparator municipalities.

6.4 Challenge #4 – Implications of ending the Residential Tax Grants

6.4.1 The Challenge

In 2005, City Council made a major change in its budget process by the establishment of a Tax Rate Stabilization Reserve Fund. This Reserve Fund is funded by the previous year's budget surplus and was established for the following three purposes:

- To provide a property tax reduction to all Property Classes by reducing the budget.
- To provide a Tax Grant to the Residential Property Class only, or
- For any other expenditure that Council deems necessary

For 2004 to 2006, City Council provided Tax Grants that were applied to the Residential Property Class. The 2006 Residential Tax Grant totaled \$5.0 million. As a result of the 2006 Tax Grant, there was an 8.66% carry over impact to the average residential taxpayer for the 2007 Budget. During the 2007 Budget process, City Council made the decision to phase-out the use of funds from the Tax Rate Stabilization Reserve Fund for the purpose of Residential Tax Grants. The following four-year phase out of the carry over impact of the 2006 Tax Grant was adopted:

| 2007 | | 2008 | | 2009 | | 2010 | | Total Cost |
|-----------------|--------------------|-----------------|--------------------|-----------------|--------------------|-----------|--------------------|-----------------|
| Tax Grant | Annual Levy Impact | Tax Grant | Annual Levy Impact | Tax Grant | Annual Levy Impact | Tax Grant | Annual Levy Impact | |
| \$4.212 million | 2.17% | \$2.808 million | 2.17% | \$1.404 million | 2.17% | \$0 | 2.17% | \$8.424 million |

6.4.2 The Policy Statements

The following Policy Statements have been developed to deal with this challenge:

- Policy #1 Over the timeframe of this Plan, the City will implement the Council approved phase-out to remove dependence on a Residential Tax Grant.
- Policy #2 The City will not consider the use of Residential Tax Grants in the future.

6.5 Challenge #5 - Dealing with events that are unanticipated or where their actual timing is unknown

6.5.1 The Challenge

In any particular year, there are always events or circumstances that are not anticipated during the budget process. There are also events that are anticipated, but often their exact timing is not known. These risk specific issues include Colborne Street Slope Stabilization, insurance, and brownfields. From a financial planning perspective, it is necessary to ensure that there are financial resources available for these types of situations.

6.5.2 The Policy Statements

The following Policy Statements have been developed to deal with this challenge:

- Policy #1 Provisions will be made for unanticipated expenditures within the annual Operating Budget through the maintenance of a Corporate Contingency Reserve Fund funded through the Council Priorities Reserve Fund, at a targeted level of 1.5% of the Net Operating Budget.
- Policy #2 Risk specific issues will be funded through the establishment and funding of a Corporate Risk Specific Contingency Reserve Fund to be funded at a level to be determined by staff for consideration by the Finance Committee.
- Policy #3 The City will ensure that funding from the City contingency reserve funds is available to respond to an emergency situation. To supplement this funding, the City will approach the Provincial and Federal Governments for financial assistance during emergency situations.

6.6 Challenge #6 - The need to follow new legislation and accounting practices and procedures

6.6.1 The Challenge

A critical part of effective financial planning is ensuring that the City is in compliance with the most current financial reporting requirements under the Municipal Act and all related legislation, as well as Public Sector Accounting Board (PSAB) pronouncements.

6.6.2 The Policy Statements

The following Policy Statement has been developed to deal with this challenge:

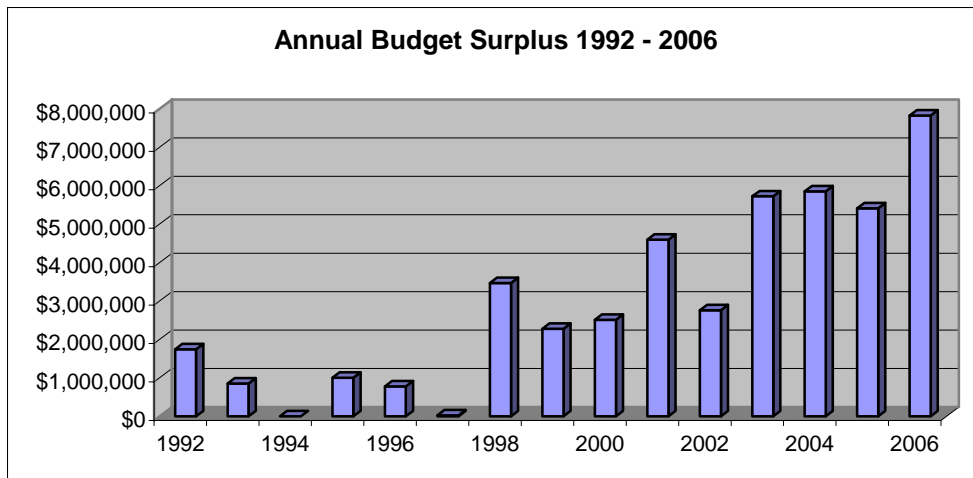
Policy #1 Staff will monitor the Ministry of Municipal Affairs and Housing, the Public Sector Accounting Board (PSAB), and other legislative/association websites and literature to ensure that the City is aware of changes affecting financial reporting and, where necessary, will amend accounting procedures or develop policies for consideration by Finance Committee in order to comply with the most current reporting requirements.

6.7 Challenge #7 - The need to deal with budgetary surplus

6.7.1 The Challenge

By Provincial legislation, a municipality cannot have a deficit budget. Should a municipality have an unanticipated deficit situation in a particular year, that deficit must be automatically dealt with in the subsequent budget year. Therefore, it is a generally accepted financial practice that it is better for a municipality to have a “reasonable” surplus at the end of each year, than it is to make budget decisions that could increase the risk of the City ending in a deficit position in any year.

The following graphs illustrate that City’s surpluses from 1992 to 2006





An Operating Budget surplus can occur for a number of reasons including:

- Unanticipated savings in expenditures (i.e. reduced costs due to weather (warmer winter than normal))
- Unexpected revenues, particularly from other levels of government.
- Higher than expected revenues (i.e. assessment growth, investment income, user fees)

In 2005, City Council made a major change in its budget process by the establishment of a Tax Rate Stabilization Reserve Fund. The previous year's surplus is held in this Reserve fund. In 2005 and 2006, City Council decided to provide Residential Tax Grants funded from this Reserve Fund. As part of the 2007 budget process, City Council decided to phase-out Residential Tax Grants and the carry over impact of the 2006 Residential Tax Grant. With City Council's decision to phase-out Residential Tax Grants, the use of any budget surplus to fund Council Priorities and underfunded Reserve Funds would be appropriate and financially prudent.

6.7.2 The Policy Statements

The following Policy Statements have been developed to deal with this challenge:

Policy #1 Staff will prepare quarterly variance reports for consideration by the Finance Committee to increase accuracy in anticipating year-end surpluses/deficits.

Policy #2 The surplus from an audited year-end will be transferred to the City Council Priorities Reserve Fund at the end of each fiscal year and will be available for allocation by City Council after the Audited Financial Statements have been presented to City Council.

Policy #3 Funds from the Council Priorities Reserve Fund will be considered for allocation to the following:

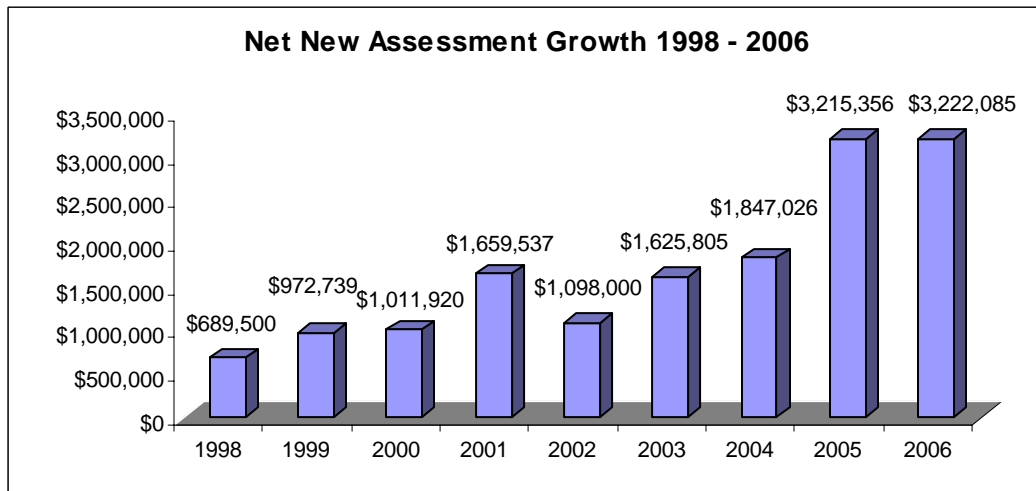
- To fund the annual Corporate Contingency Reserve Fund.
- To provide any necessary funding for Council Priorities.
- To fund under funded Reserve Funds.

Policy #4 Staff will develop recommended annual allocations from the Council Priorities Reserve Fund for consideration by the Finance Committee consistent with the Strategic Plan, Council’s Priorities, and the Strategic Financial Plan.

6.8 **Challenge #8 – Assessment growth plays an important role in financial planning**

6.8.1 The Challenge

Being designated a “Growth Area” in the Province’s “Places to Grow” Strategy means that the need to plan for and finance future growth must be an important component of the City’s financial planning. All forms of development (residential, commercial, and industrial) add to both the City’s assessment base and revenues generated through Development Charges and property taxes. Therefore, the City must ensure that there is an adequate supply of serviced developable land for all types of land uses, as this is critical to increasing the City’s assessment base and revenues. The following graph illustrates the City’s Assessment Growth history from 1998 to 2006. This graph shows that the City has experienced a positive trend in assessment growth over this timeframe.



While industrial development contributes to the City’s employment base, it also contributes more to the City’s assessment base than other forms of growth. Historically, the City has taken a significant role in the development and sale of industrial land. While this has resulted in many benefits to the community, it has resulted in a substantial financial cost to the City. It is now time to review the City’s role in economic development and more particularly, its role regarding industrial land banking and servicing.

In the past, there have been specific situations where the City decided to encourage assessment growth through the use of financial incentives. These situations include the Downtown, brownfield areas, and the former aggregate pits

in the Northwest Industrial Area. The City should continue to consider such incentives for specific areas in order to promote development and increase assessment growth.

6.8.2 The Policy Statement

The following Policy Statements have been developed to deal with this challenge:

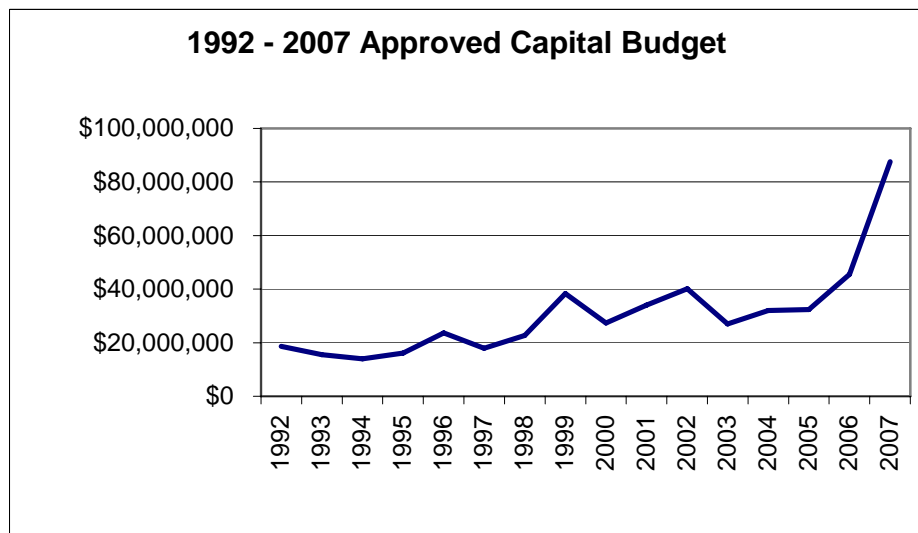
Policy #1 The City will evaluate its role in the promotion and development of industrial land through an Economic Development Strategy. Part of this Strategy will include the alternatives and their financial implications.

Policy #2 The City will explore opportunities to provide developers with financial incentives to recover development costs through the use of Property Tax Reduction Financing Programs and Tax Incremental Financing Programs.

6.9 Challenge #9 – The need for lifecycle costing for the City’s assets

6.9.1 The Challenge

The City has substantial investment in its assets, including buildings, infrastructure, equipment and vehicles, which need to be protected. The replacement or rehabilitation of these assets is funded for the most part, through the City’s Capital Budget. The City’s annual Capital Project expenditures increased since 1992 and have varied from a low of \$13.9 million in 1994 to a high of \$88.1 million in 2007, as illustrated on the following graph.



There have been several recently completed studies that have estimated that the City’s future capital needs are as follows:

- City buildings over the next 30 years: \$300 million.
- Immediate needs for structural improvements to City roads: \$68.4 million.

- Operational improvement needs for City roads: \$29.6 million.
- City bridge improvements: \$3.6 million.
- Sidewalk improvements: \$3.4 million.
- Assessment of City watermains and storm/ sanitary sewer currently underway, estimated to cost hundreds of millions of dollars.

The annual expenditures necessary to maintain these capital assets are significantly less than the total costs associated with these capital assets. The current funding available in the City's Reserve Funds is insufficient to fund the needed expenditures. Therefore, it is imperative that the City implement a lifecycle approach to this challenge by understanding the level of expenditures needed and developing an action plan to deal with these needs.

6.9.2 The Policy Statement

The following Policy Statements have been developed to deal with this challenge:

Policy #1 The City will implement lifecycle costing to provide for the future replacement or rehabilitation of the City's current capital assets, through the use of Public Sector Accounting Board (PSAB) Tangible Capital Asset Accounting Principles, Asset Management Plans and lifecycle costing.

Policy #2 The City will include increased funding within its annual Capital funding to effect lifecycle costing for all of the City's tangible capital assets to be fully implemented by 2017.

6.10 Challenge #10 – Dealing with the possible disposition of City Assets

6.10.1 The Challenge

The City has many assets consisting of buildings, land, and investments (i.e. the Brantford Energy Group of Companies). The undertaking of Public Sector Accounting Board (PSAB) Tangible Capital Asset Accounting Principles is a requirement that the City has already commenced. An inventory of the City's assets is being developed as part of the PSAB process. Once completed the inventory of assets will be evaluated to determine which should be retained and which could be disposed of. The possible disposition of any assets must be considered in light of the long-term plans for the City.

6.10.2 The Policy Statement

The following Policy Statements have been developed to deal with this challenge:

Policy #1 The City will inventory all of its assets and evaluate each asset to determine whether it should be retained or disposed of in light of the long-term plans of the City.

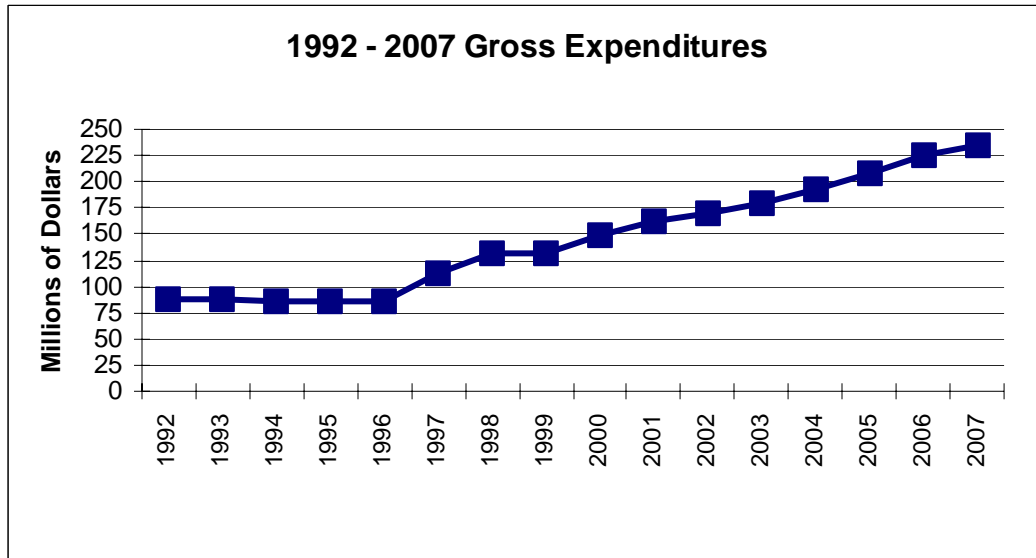
- Policy #2 In the event of the disposition of any asset, the resulting funds will be directed to the appropriate Reserve Fund.
- Policy #3 At this point in time, the City will not dispose of any components of the Brantford Energy Group of Companies or the monetizing of its investments. If in the future, consideration is given to either of these matters, any such monies realized shall be spent only on Capital assets consistent with the Strategic Plan and Council Priorities.

7.0 EXPENDITURE CHALLENGES

7.1 Challenge #1 - Continued pressure of the City's Budget

7.1.1 The Challenge

The City's Gross Expenditures are the total Operating Budget expenditures for the City. The following graph illustrates the City's Gross Expenditures between 1992 and 2007.



Between 1992 and 1996, the City's annual Gross Expenditures remained relatively stable at approximately \$86 million. However, between 1997 and 2007, they have increased from \$113 million to \$234 million, an increase averaging approximately 7.4 % per year.

According to the Bank of Canada, the National Consumer Price Index (excluding food, energy and taxes) ranged from 0.8% to 3.6% over this same time period. However, inflation is not the only factor impacting the City's Gross Expenditures. The downloading of services from the Provincial Government, particularly Social Services and Housing, has had a major impact. In addition, changes in Provincial Legislation requiring increases in service levels for mandatory services, have also impacted the City's Gross Expenditures.

While the City is unable to control inflation, externally imposed new services or mandatory service level increases, it does have opportunities to consider possible cost reduction, cost containment and cost avoidance measures to ensure that the City's expenditures are kept to more reasonable levels.

7.1.2 Policy Statements

The following Policy Statements have been developed to deal with this challenge:

- Policy #1 A Program Review process will be undertaken and completed by 2010 that will review all business activities offered by the City to ensure that all existing services and programs and their delivery levels are still necessary and are being provided in an effective and cost efficient manner.
- Policy #2 The City will explore cooperative and collective purchasing agreements with other municipalities, schools, post-secondary education institutions, and/or hospitals to take advantages of economies of scale.
- Policy #3 Ongoing Value for Money Audits will be undertaken to ensure that controls and procedures are being followed and to identify possible cost efficiencies or enhanced revenue opportunities.

7.2 Challenge #2 - The continuing demand to provide funding to local boards, and joint services

7.2.1 The Challenge

The City provides funding for local boards and joint services. These funds are used to provide services by independent or quasi-independent boards (generally required by legislation) or through joint service agreements with other municipalities, primarily the County of Brant. Funding provided in this way has been found to be an effective and efficient method of delivering services and programs. The continuation of such methods of funding municipal services should be encouraged, and where appropriate, expanded to apply to other existing or new services.

7.2.2 The Policy Statements

The following Policy Statements have been developed to deal with this challenge:

- Policy #1 The City will seek opportunities to enter into fair and equitable joint service agreements with neighbouring municipalities.
- Policy #2 The funding of individual local boards and joint service agreements will be reviewed on a regular basis by the Finance Committee to determine the appropriateness of the current funding level.

7.3 Challenge #3 - Pressure on the City to add new services and/or increases to existing service levels

7.3.1 The Challenge

The City's primary function is the provision of services to the community. On a regular basis, the establishment of new services or increases to existing service levels can result from the following:

- Federal or Provincial legislation, usually associated with mandatory services.

- City Council.
- A specific segment of or the entire community.
- City staff.

In the majority of instances, the introduction of new services and/or increases in existing service levels will likely have an impact on the City's net expenditures in future years. It is important for City Council to understand how new services or increased/decreased service levels will impact net expenditures from both an operating and capital perspective.

7.3.2 The Policy Statements

The following Policy Statement has been developed to deal with this challenge:

Policy #1 Proposals for new services or service level adjustments (mandatory or discretionary) will be presented to Finance Committee for consideration. These proposals shall include impacts on the operating and capital budgets, funding sources, human resource requirements, performance measures, and long term financial impact.

7.4 **Challenge #4 - The City's acceptance of one time funding from other levels of government**

7.4.1 The Challenge

On a regular basis, opportunities are presented to the City for one time funding from other levels of government, which may be subject to conditions, or may result in unavoidable increases to the City's Operating Budgets in subsequent years. While such funding may be attractive when it is presented to the City, it is important that the implications on the City's future expenditures be fully understood, should this funding no longer be available in subsequent years.

7.4.2 The Policy Statements

The following Policy Statements have been developed to deal with this challenge:

Policy #1 The optimum time for presenting opportunities for one time funding will be during the annual budget process.

Policy #2 The implications on the City's Operating and Capital Budgets of any one time funding, and any associated conditions, will be presented to Finance Committee for consideration.

Policy #3 Consideration will be given to phase in increases or decreases to operating budgets that result from funding shifts through the use of Discretionary Reserve Funds.

8.0 REVENUE CHALLENGES

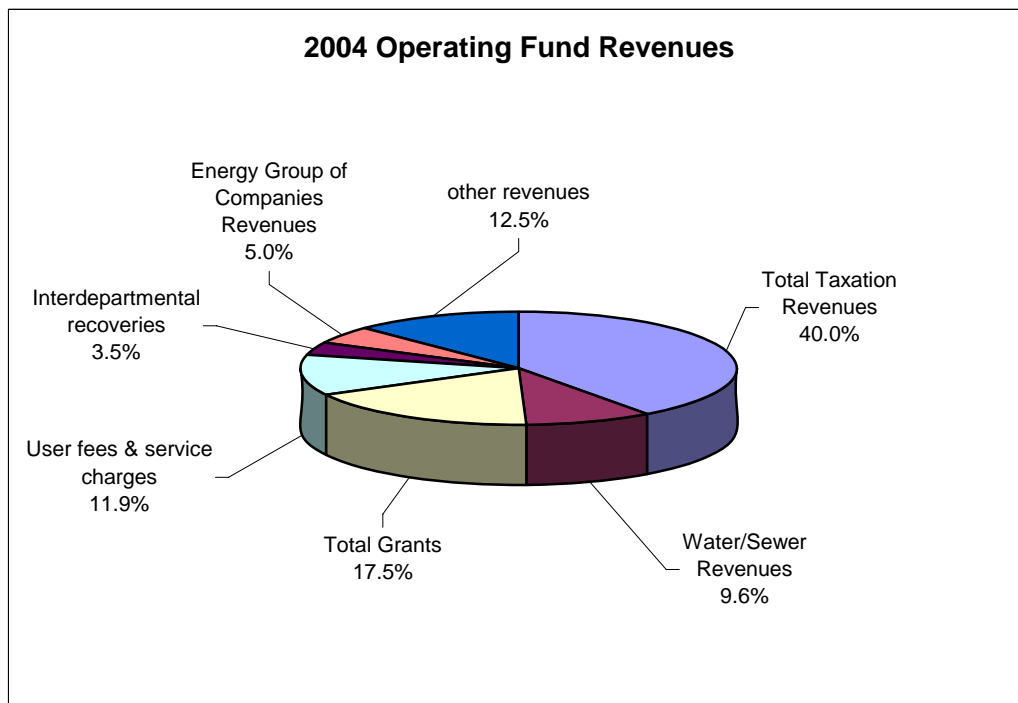
8.1 Challenge #1 – High property taxes

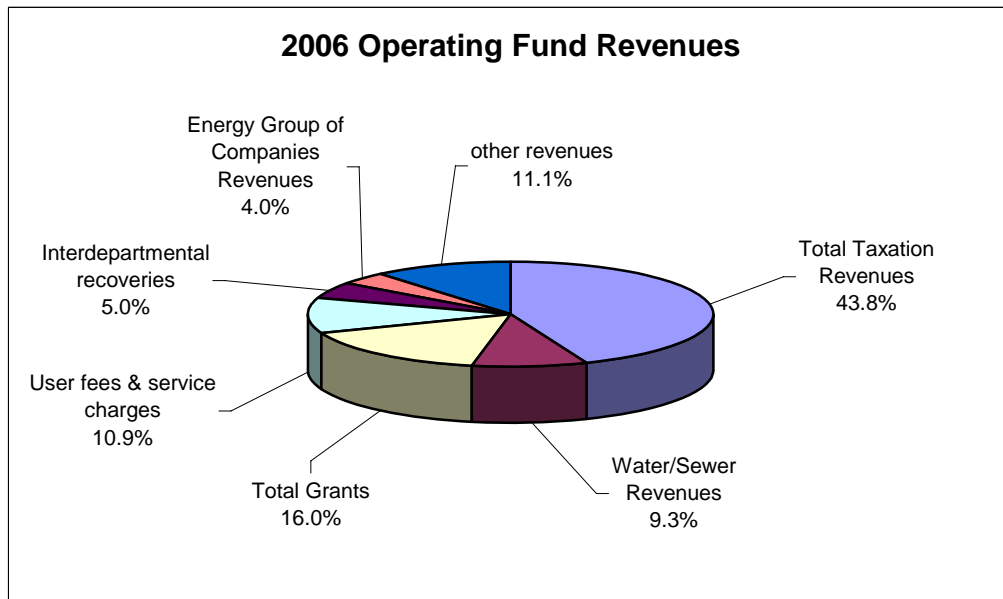
8.1.1 The Challenge

The City receives revenue from many sources. The City's revenue sources can be categorized as follows:

- Taxation Revenue: Revenues received from property taxes.
- Water/Sewer Revenue: Revenues received from water rates and sewer charges.
- Grants: Federal, Provincial and other municipal revenues (i.e. OMPF, Social Services Provincial revenues).
- User Fees & Service Charges: Revenues received from fees and charges such as recreation program fees, housing rents, and Sanderson Centre admissions.
- Interdepartmental Recoveries: Overhead charges and recoveries for work done by other departments.
- Energy Group of Companies: Recoveries and Promissory Note Investment Income from the Brantford Energy Group of Companies.
- Other Revenues: All other revenues received by the City such as investment income, casino revenues, and sales of land.

The breakdown of the revenue sources for 2004 and 2006 are illustrated as follows:





These graphs show that property taxes are the primary source of revenue for the City. In fact, the portion of the City's revenues from property taxes has increased from 40% in 2004 to 43.8% in 2006. This increased reliance on property taxes as a City revenue source is of concern considering that according to the 2006 BMA Municipal Study the City has moved to the "high" category for municipal property taxes for all Property Classes, with the exception of the Multi-Residential High Rise and Commercial Office Property Classes.

The City needs to review how other sources of revenue can shift the burden away from property taxes to assist in reducing not only the reliance of property taxes as the primary revenue source for the City, but also to reduce the impact on the taxes paid by the community.

8.1.2 The Policy Statements

Policy #1 The City will review its revenue sources with the goal of reducing the burden on property taxes as the primary source of revenue through increases in the other existing revenue sources and the investigation of new revenue sources.

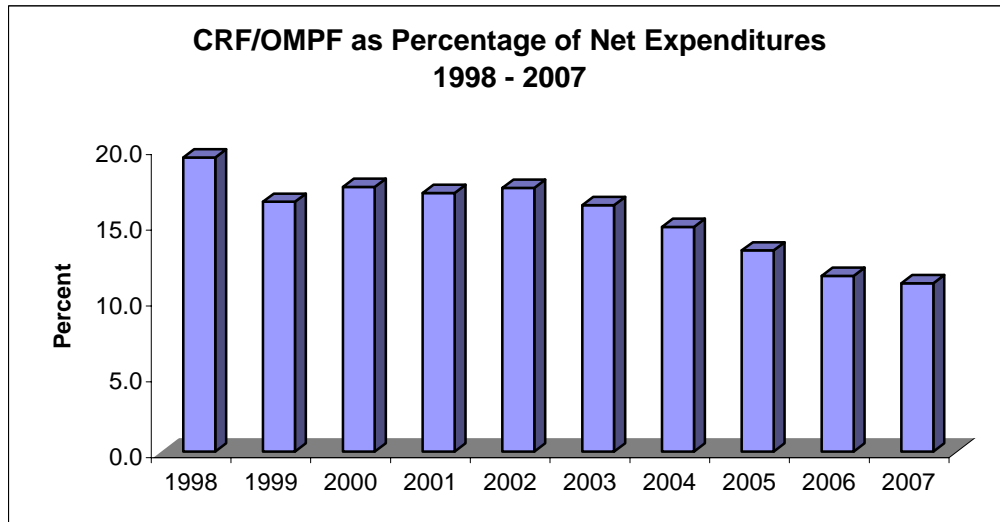
8.2 Challenge #2 - Unpredictable funding from other levels of Government

8.2.1 The Challenge

A source of revenue to the City is funding from other levels of Government. The primary funding source is the Provincial Government's Ontario Municipal Partnership Fund (OMPF), formerly known as the Community Reinvestment Fund (CRF). This funding was originally provided to the City to offset the costs of providing services that were "downloaded" to the City by the Provincial Government in the 1990's. While the Province has always maintained that the Service Realignment (downloading) process was "revenue neutral", this has

been contested by both the City and the Association of Municipalities of Ontario (AMO).

OMPF is a general revenue source that is provided to the City without conditions on its use. For 2007, the OMPF amount is \$11.58 million, which is the same amount as 2006. However, while the amount of the funding has remained the same, the following graph illustrates that as the City's Net Expenditures have increased over the years, the percentage of those expenditures that are covered by OMPF has steadily decreased over the past five years.



The Provincial Government has indicated that it intends to decrease the OMPF provided to municipalities. It intends to decrease the OMPF provided to the City in stages by approximately \$3.9 million in total by 2011. The expected cumulative budget impact for the City is:

| YEAR | AMOUNT |
|------|-------------|
| 2008 | \$1,000,000 |
| 2009 | \$1,500,000 |
| 2010 | \$2,000,000 |

There is no indication that the reduction strategy will not continue beyond 2010. Reductions in this funding would require the City to find other revenue sources to cover the resulting shortfall.

However, for 2007, as was the case in 2006, the Province has maintained the level of funding, notwithstanding its direction that funding would be reduced significantly. While this has been good news for the immediate term, the unpredictability of whether this funding will be maintained, or decreased further, places difficulties on the City when making decisions regarding financial matters such as the annual budget and long-term financial planning.

In addition, as has been previously noted in this document, municipalities must comply with Provincial policies and regulations to deliver new and/or enhanced mandatory services. However, the implementation of such changes is often without any corresponding additional Provincial funding.

The City, together with its municipal partners, should approach the Federal and Provincial Governments requesting additional ongoing and stable funding. Regardless, the City should develop a long-term action plan to deal with the currently anticipated reductions in future funding from these levels of government.

In any given year, the potential always exists for “special purpose funding” from both the Federal and Provincial Governments to be made available that can assist the City in dealing with financial situations. Brantford must be prepared to take advantage of all opportunities of this type.

8.2.2 The Policy Statements

The following Policy Statements have been developed to deal with this challenge:

- Policy #1 A multi-year reduction program shall be developed, which assesses the impact of eliminating the City’s reliance on the Ontario Municipal Partnership Fund and explores a phased increase in the Operating Budget to deal with the loss in revenue from the Provincial Government.
- Policy #2 The annual Operating Budget shall only include revenue from other governments if the amounts are known or can be reasonably estimated based on agreements or other reliable documentation.
- Policy #3 By working with the representatives of the Federal and Provincial Governments, as well as with the Federation of Canadian Municipalities (FCM) and the Association of the Municipalities of Ontario (AMO), the City will lobby for additional ongoing and stable funding from the Provincial and Federal Governments.
- Policy #4 The City will participate in grant/subsidy programs from other levels of Government, only if programs/projects to be supported are required or can be justified independent of the provision of the grant/subsidy.

8.3 Challenge #3 - User fees are not covering full costs

8.3.1 The Challenge

Under the Municipal Act, municipalities have broad authority to impose user fees for any activity or service that they provide. While municipalities can determine which services to charge for, the amount of the fee, and who pays it, the Municipal Act limits them to cost recovery – namely, municipalities can not charge more than it costs them to provide a service.

The City charges a number of user fees, with the most recognizable ones being water rates, sewer charges, transit fees, and fees for participating in recreation programs and for the use of facilities. User fees fund all or a portion of the

program or service costs. As the cost of providing these services increase, the user fee should also increase, thereby passing all or a portion of a cost increase on to users, taking pressure off of the property tax bill.

Municipalities typically adopt policies that identify the manner in which user fees are set, and the extent that they cover the cost of providing the program or service. This allows Council, staff and the community to understand the cost of services and to consider the appropriateness of the user fees. These policies generally require the following:

- The cost of the program (direct and indirect costs such as operating and maintenance costs, overhead, and charges for the use of capital depreciation and debt servicing).
- The level of cost recovery for the service and the reason for any subsidy.
- The frequency of cost-of-service studies.
- The requirement to review user fees on a regular basis.

There will always likely be services for which a municipality may choose not to recover all costs. However, these costs should be identified and the reasons for not recovering full costs should be identified and explained.

From 2004 to 2006, user fees as a percentage of total City revenues decreased from 11.9% to 10.9%. In 2006, the City collected a total of \$26.3 million in user fees. There is no data indicating how much of the cost for services and programs were recovered from user fees.

There is limited Council direction regarding the establishment of user fee policies. Many fees appear to be historical in nature, with no specific or limited rationale explaining how or why they were established. The establishment of new or the updating of existing user fees appear to be based on a general inflationary increase, rather than a detailed analysis of the costs that should be included in the calculation. There is a need to establish the true costs of delivering services, regardless of whether these costs will be fully recovered through user fees so that there is an awareness of the portion of these costs that is recovered by the user fees and property taxes.

There have been several services that have been identified as being “User Rate-Supported”. These services must ensure that the full cost of providing the service is recovered including costs such as administrative, operating, and capital costs. The “User Rate Supported” services include:

- Water Treatment and Distribution
- Pollution Control and Collection
- Brantford Energy Group of Companies
- Building Inspection Services
- Fleet Operations (currently partially tax supported)
- Solid Waste (currently partially tax supported)
- Golf Operations (currently partially tax supported)

8.3.2 The Policy Statements

The following Policy Statements have been developed to deal with this challenge:

Policy #1 Where applicable, the City will identify “User Rate Supported” services that will ensure that they recover the full cost of the providing the service, including costs associated with operating, capital and administration. The goal is that the following be completely “User Rate Supported” services by the end of the timeframe of this plan:

- Water Treatment and Distribution
- Pollution Control and Collection
- Brantford Energy Group of companies
- Building Inspection Services
- Fleet Operations
- Solid Waste
- Golf Operations

Policy #2 The Finance Committee will investigate whether any additional current or new services should be included as “User Rate Supported” services.

Policy #3 For all other services, user fees will be considered by the City where:

- There is a clear relationship between the fees paid by users and the benefits received by the user.
- The member of the public has a choice as to the extent to which he/she uses the service.
- It is administratively feasible to collect the charge at a reasonable cost.
- The benefits can be quantified and attributed to the user.

Policy #4 By the end of 2008, staff will prepare report(s) for consideration by Finance Committee that will establish a baseline for the user fees. The report(s) will include the following:

- Identify and document the business units involved in the program or service.
- Identify the full costs of the program or service as permitted under legislation.
- Identify the ways that fees are currently set and the extent that they recover the cost of the program or service provided.
- Establish a rationale, targets and timing for the proportion of the cost that will be recovered from user fees and which costs will be recovered from property taxes.

Policy #5 The user fees structure will be sensitive to the “market” for similar services and in setting user fees, the City will consider fees

charged by other agencies or municipalities providing similar services. However, user fees surveys shall not be the sole or primary criteria in setting City user fees.

Policy #6 The City will strive to increase user fees as a percentage of overall funding by identifying new areas where user fees can be implemented and by ensuring that existing fees are updated based on increases in the associated costs to provide the service.

Policy #7 The City will review and update user fees annually taking into consideration the increase in all costs, the current “market” situation, and minimizing negative impacts to the public that would result in not limiting access to the service.

Policy #8 The City will investigate the use of a two-tier user fee structure based on charging higher user fees for non-City residents, for consideration by Finance Committee by the end of 2008.

8.4 Challenge #4 - Development Charges have not covered the cost of growth resulting in a shortfall that must be paid for by the tax levy

8.4.1 The Challenge

Development Charges are fees collected by municipalities under the authority of the Development Charges Act, to offset capital costs incurred to support growth related infrastructure. The City currently has a Development Charges Bylaw enacted under this legislation. The fees now apply to all forms of development and are collected at the time of a building permit being issued. The annual amount of Development Charges collected between 2002 and 2006 is summarized below.

| YEAR | TOTAL DEVELOPMENT CHARGES COLLECTED |
|------|-------------------------------------|
| 2002 | \$1,942,372 |
| 2003 | \$1,949,489 |
| 2004 | \$1,849,701 |
| 2005 | \$2,496,921 |
| 2006 | \$3,805,783 |

In the past, the Development Charges Bylaw enacted by City Council did not implement the maximum fees as recommended in the supporting Development Charges Studies. As a result of this previous decision of City Council in 2004, it has been estimated that there is a Development Charges revenue shortfall of \$12 million.

Development Charges can also be used as an incentive to implement Council policies or priorities. Up until recently, the City used such an incentive by not having industrial developments subject to Development Charges. Development Charges have also been waived to support other policies or priorities such as development of non-profit housing, and development in the Downtown. It should be noted that when there is a shortfall in Development Charges, whether as a result of not charging the maximum fee possible or by waiving Development

Charges as an incentive, any shortfall arising must be compensated through property taxes. A further consequence of such shortfalls is the possible delay or, in some cases, reduction in the scope of major capital projects resulting in the City's inability to meet growth requirements. With the City being identified as a "Growth Area" in the Province's "Places to Grow" Strategy, optimizing revenue collected through Development Charges is a critical component of a "Growth Pays For Itself" philosophy that has been expressed by many on City Council.

8.4.2 The Policy Statements

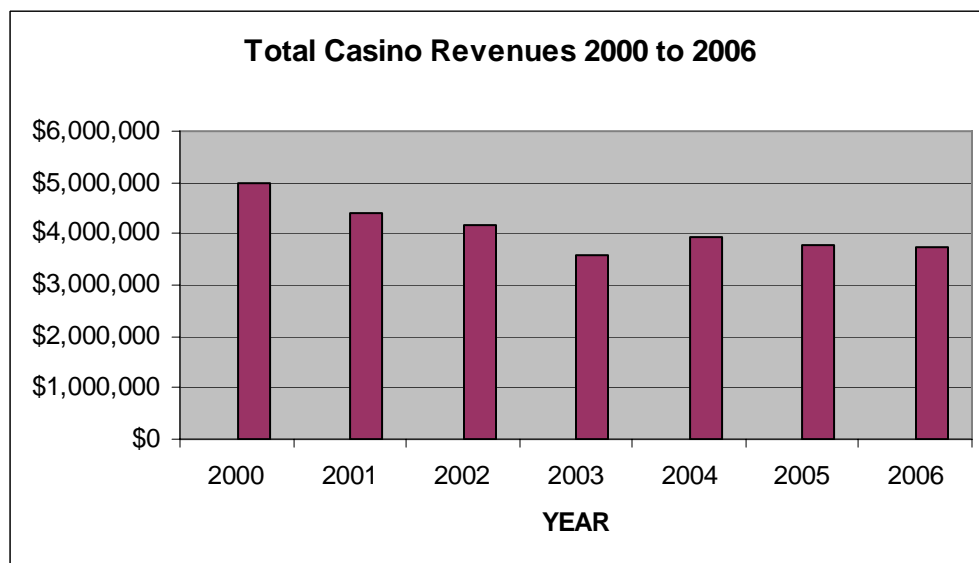
The following Policy Statements have been developed to deal with this challenge:

- Policy #1 The City will be guided by the principle that growth shall pay for itself.
- Policy #2 The City will establish Development Charges at an optimal level in order to fund capital projects required to support the City's growth related infrastructure.
- Policy #3 An annual review will be undertaken by the Finance Committee to determine if a capital projects update is necessary to the Development Charges Background Study.

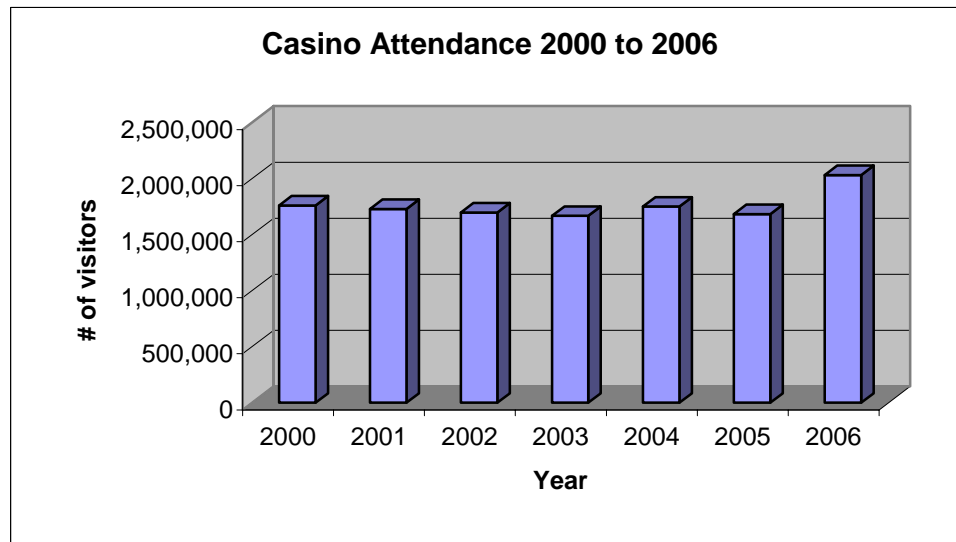
8.5 Challenge #5 - Casino revenues have been allocated until the end of 2009

8.5.1 The Challenge

Since 2000, the Brantford Charity Casino has provided revenues to the City. The amount that the City receives is based on 5% of the gross slot machine revenues at the Casino. The following graph illustrates the annual total revenues since 2000.



The following graph of the attendance at the Casino for this same period shows that the number of visitors has remained fairly constant, with an increase in attendance in 2006.



With this information provided by the Casino, it is apparent that the number of visitors to the Casino has remained relatively constant (in fact the number of visitors has increased in 2006), while those visiting the Casino seem to be spending more on other forms of gambling at the Casino rather than the slot machines. These trends and the fact that the current funding model has been in place for nearly eight years, the City should consider lobbying the Ontario Lottery Corporation for a new funding model from the Casino.

In the past, Casino revenues have been spent on numerous capital projects and have provided funds to outside boards and organizations for a variety of reasons.

| PROJECTS | 2000 TO 2007 TOTAL APPROVED ALLOCATION |
|--|---|
| Casino Legacy Reserve Fund | \$2,172,588 |
| Post Secondary Education Reserve Fund | \$371,186 |
| Operating Allocation for Policing | \$1,938,846 |
| Brantford General Hospital | \$1,440,000 |
| Visitor & Tourism Centre | \$2,500,000 |
| Contribution to Downtown Revitalization | \$6,227,978 |
| Downtown Civic Square | \$250,000 |
| Community Investment Fund & Grants Funding | \$1,750,000 |
| Brownfields Reserve Fund | \$1,000,000 |
| Heritage Inventory Project | \$330,000 |
| Brantford Transit | \$350,000 |
| Brant Youth Resource Centre | \$560,968 |

| PROJECTS | 2000 TO 2007 TOTAL APPROVED ALLOCATION |
|--|---|
| Capital Financing Plan | \$4,436,334 |
| Operating Allocation for the TD Bank Building | \$646,317 |
| Operating Allocation for Grand River Hall | \$243,670 |
| John Noble Home Capital | \$4,100,000 |
| St. Joseph Hospice | \$720,000 |
| Brant Community Health Care System | \$250,000 |
| Laurier Heritage Block | \$675,000 |
| Nipissing University – 50 Wellington Street | \$500,000 |
| Bingo Charities Grants | \$152,081 |
| Library Express Checkout Workstation - Capital | \$106,830 |
| Sidewalk Construction Capital | \$100,000 |
| Arnold Anderson Stadium Capital | \$100,000 |
| Bridges Capital | \$100,000 |
| Newport Street Extension Capital | \$200,000 |
| Casino Impact Issues | \$200,000 |
| Barrier Free Access Capital | \$100,000 |
| Miscellaneous Capital (< \$100,000 each) | \$539,621 |
| Miscellaneous Operating (< \$100,000 each) | \$231,500 |
| TOTAL | \$32,292,919 |

The current allocation of “anticipated” Casino revenues for 2008 and 2009 are summarized on the following chart:

| PROJECTS | 2008 | 2009 |
|---|--------------------|--------------------|
| Annual Allocation to Legacy Reserve Fund | \$590,000 | \$2,080,000 |
| Brownfields Allocation | | |
| Community Investment Fund & Grant Funding | \$250,000 | \$250,000 |
| John Noble Home | | |
| St. Joseph Hospice | \$240,000 | \$240,000 |
| Nipissing University – 50 Wellington | | |
| Downtown Civic Square | \$2,420,000 | \$930,000 |
| Laurier University – Heritage Block | \$200,000 | |
| TOTAL APPROVED ALLOCATIONS | \$3,700,000 | \$3,500,000 |

The current approach of allocating “anticipated” Casino revenues, essentially, is a speculative approach that spends monies before the City has the “dollars in the bank”. The commitment of “anticipated” funds for City projects, or more importantly committing such funds to outside organizations, places a degree of assuredness that these funds will be available. If the “anticipated” funds from the Casino do not materialize and the City is not able to meet its commitment, either the City would have to postpone funding the allocation, which can have negative impacts on the outside organization who may be depending on these funds, or funding the allocation will have to be supplemented using other revenue sources

(likely property taxes). Either of these solutions is not acceptable, and a more fiscally responsible alternative is to only allocate funding that the City has already received from the Casino.

8.5.2 The Policy Statements

The following Policy Statements have been developed to deal with this challenge:

- Policy #1 The City will attempt to negotiate with the Ontario Lottery Corporation to secure a new funding model from the Brantford Charity Casino.
- Policy #2 Once current allocation commitments are fulfilled; the City will not allocate Casino revenues until the year following the year that the funds are received.
- Policy #3 On an annual basis, staff will prepare a report recommending allocations of Casino revenues based on Capital Priorities for consideration by the Finance Committee

8.6 **Challenge #6 - The City's debt capacity is currently underleveraged.**

8.6.1 The Challenge

Unlike the Provincial and Federal Governments, which can finance both capital and operating deficits by debt, municipalities can only borrow for items of a capital nature such as buildings, roads and other major infrastructure. Borrowing for operating budget shortfalls is not permitted by Provincial statute. In addition, Provincial statute also prohibits municipalities from borrowing for items having a useful life of less than the term of the debt. While debt is often considered to be a financing source of last resort and something to be avoided, it is also an appropriate way of financing longer life items since future taxpayers that receive the benefit of the items also pay through future debt charges.

The normal debt instrument is debentures. When municipalities issue debentures, they enter into a long-term commitment that requires them to make timely principal and interest payments over the life of the debenture. Therefore, municipalities must ensure that their future debt service payments can be made while also ensuring the following:

- The provision of essential services is not jeopardized.
- Financial flexibility is maintained by ensuring that there are sufficient revenues to meet unanticipated expenditures and accommodate revenue fluctuations.
- Outstanding debt obligations will not threaten long-term financial stability.
- The amount of outstanding debt will not place an undue burden on local taxpayers.

The Provincial Government regulates the level of debt that a municipality may incur (no more than 25% of the total own purpose revenue can be used to service debt and other long-term obligations). Some municipalities have adopted

guidelines less than this Provincial maximum (i.e. Toronto 10%, Niagara Falls 15%). The City currently has a “No Tax Supported Debt” policy.

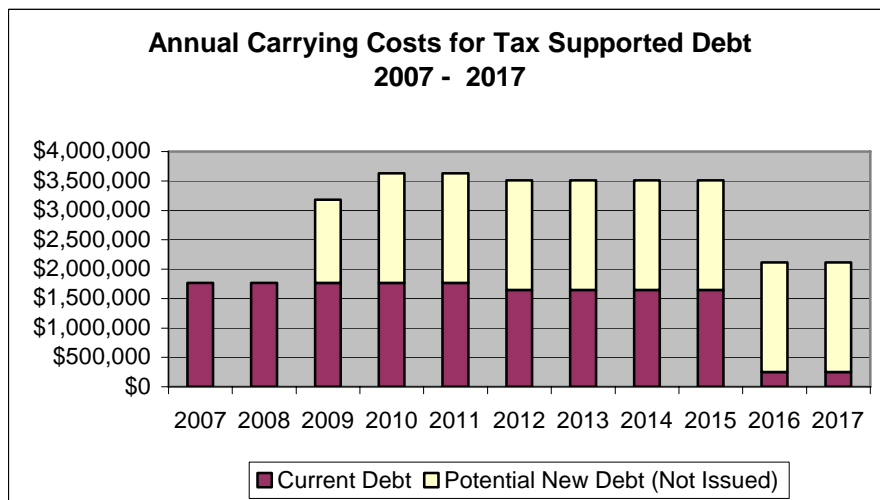
Standard and Poor’s provides credit ratings for many organizations, in both the public and private sectors. The Standard and Poor’s rating ranges from a high of “AAA” to the lowest of “D”. Between 1988 and 2006, the City’s credit rating has progressed from BBB- to AA respectively. The reasons given for the most recent upgrade in this rating in 2006 from “AA-“ to “AA” are:

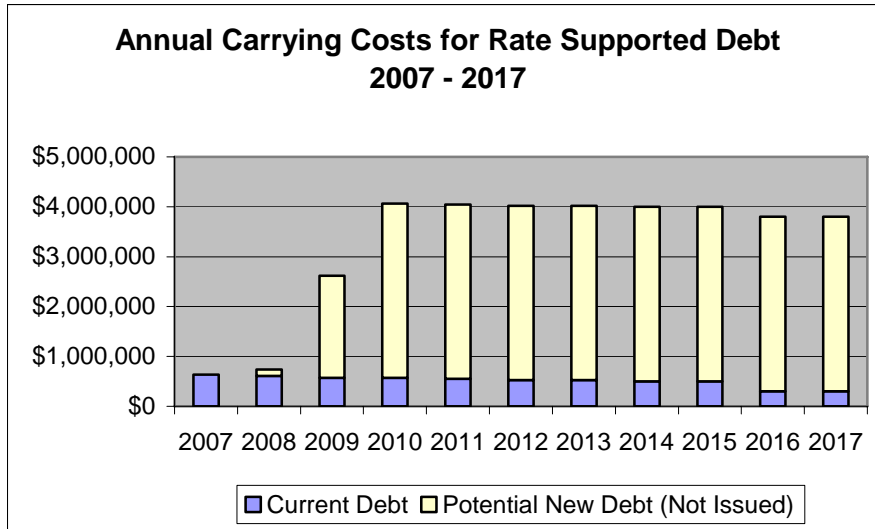
- The City’s extremely low debt burden.
- The City’s strong budgetary performance and solid economic results in the previous five years.
- The City’s recent initiatives to “take charge” of its financial situation and planning for the future.

Standard and Poor’s recognized the City’s need for a moderate acceleration in infrastructure spending in the medium term and the resulting need for debt as a possible means of funding this expenditure. Therefore, maintaining the current credit rating is important to the City’s ability to secure the best interest rates, should any debt be issued.

The City has the following Current and Potential New Debt (Not Issued) associated with both tax-supported and rate-supported capital projects:

- Tax-supported Current Debt: \$13.1 million
 Potential New Debt (Not Issued) \$14.4 million
- Rate-supported Current Debt: \$5.5 million
 Potential New Debt (Not Issued) \$36.5 million





Notwithstanding the City’s current “No Tax-Supported Debt” policy, the above information does indicate that the City currently does have both tax-supported and rate-supported debt. If all debt is issued it will total \$69.5 million. The debt carrying charges for both the Current and Potential New Debt (Not Issued) for the next 10 years is approximately \$3.5 million and \$4.0 million annually for the tax-supported and rate-supported projects respectively. The carrying cost is approximately 3.9% of the City’s net revenues for the 2006 fiscal year, as defined by Provincial debt limit legislation.

There are three factors supporting the opportunity of the City using some further debt as a funding source for capital expenditures:

- Debt is an appropriate way of financing longer life items since future taxpayers that receive the benefit of the items will also pay through future debt charges.
- Unlike many municipalities who have used debt excessively, Standard and Poor’s has indicated that the City currently has a low debt burden.
- The City currently has an “AA” credit rating, which provides it with the ability to secure good interest rates when issuing debt.

When deciding to use debt as a funding source, there is a need to establish a maximum limit of debt so that the municipality can ensure that debt is used in a fiscally responsible manner. As already noted, the Provincial Government has established a maximum of 25% of the total own purpose revenue that can be used to service debt and other long-term obligations through legislation. Municipalities have guidelines that are lower than the Provincial maximum (usually in the 10% to 15% range).

In addition to a debt guideline, monitoring also becomes important when considering the idea of the increased use of debt as a funding source to ensure that it is being used in a fiscally responsible manner. The use of selected indicators allows the City to continually monitor its debt position and provides a mechanism for calculating theoretical debt capacity, and assist in priority setting and the capital budget decision-making process. Three examples of indicators that can be used to monitor debt are the following:

- Debt charges as a percentage of expenditures.
According to the BMA Municipal Study, this indicator is considered an important measure for debt capacity. Credit analysts and rating agencies consider debt burden to be moderate when debt service as a percentage of expenditures is 5%. While there is no articulated upper limit by the credit rating agencies on this ratio, the debt burden is considered to be excessive when debt service exceeds 10%. This indicator is available annually as part of the BMA Municipal Study. According to the BMA Municipal Study, the City's debt charges as a percentage of expenditures for 2005 is 0.8%.
- Debt Outstanding per Capita
The Government Finance Officers' Association (GFOA) indicates that debt can also be monitored on a per capita basis. The debt outstanding per capita relates increases in debt to changes in population. As the population increases, capital needs and therefore long-term debt would be expected to increase. However, if debt is increasing at a greater rate than its population, debt levels may be reaching or exceeding the City's ability to pay. This indicator is also available in the BMA Municipal Study. The BMA Municipal Study indicates that the 2005 debt per capita is \$302.
- Debt to Reserve Ratio
The debt to reserve ratio is a measure of a municipality's financial prudence. Rating agencies such as Standard and Poor's consider a ratio of 1.0 for this indicator to be the optimum in financial prudence as for every dollar of debt there is a dollar in reserves. When the ratio exceeds 1.0, the level of debt is in an imbalance situation, while when the ratio is below 1.0, there are "opportunities" to increase debt. This indicator is also available in the BMA Municipal Study. According to the BMA Municipal Study, the City's 2005 debt to reserve ratio is 0.5.

For the City, it is advisable that the debt guideline be in the range of 5% to 8% of net revenues, which results in a total debt of between \$75 million and \$130 million. However, this level of debt must be further verified using the three indicators noted above, together with the Provincial legislation limitations

8.6.2 The Policy Statements

The following Policy Statements have been developed to deal with this challenge:

- | | |
|-----------|---|
| Policy #1 | For Tax-Supported debt, debt carrying costs must be paid through the City's Operating Budget, while for Rate-Supported debt, debt carrying costs must be paid through user fees. |
| Policy #2 | The use of internal borrowing should be maximized to reduce borrowing costs, while taking into consideration the impact on the City's overall financial position. Internal borrowing shall mean borrowing from Reserve Funds. |
| Policy #3 | The City shall establish a debt level guideline using the following: <ul style="list-style-type: none">• The municipal debt limits established in Provincial legislation. |

- The City's debt charges as a percentage of expenditures indicator.
- The City's debt outstanding per capita indicator.
- The City's debt to reserve ratio indicator.

Policy #4 In consideration with the City's Capital Plan, debt financing could be used in the following projects and should be issued for no longer than 80% of the life of the asset being funded:

- Projects that support the City's Strategic Plan.
- Projects that are funded entirely through user fees on a permanent basis.
- Projects that result from an emergency situation.

Policy #5 Lifecycle capital projects that renew or rehabilitate existing assets should not be eligible for debt financing and a planned process will be developed for an annual tax-supported contribution to be made to meet lifecycle needs of all assets.

Policy #6 Until lifecycle costing is fully implemented, the City will consider undertaking a short-term managed program of debt financing to address the City's current infrastructure deficiency and to reduce further deterioration of the City's infrastructure.

Policy #7 The City will structure debt to be consistent with a fair allocation of costs to current and future beneficiaries or users.

Policy #8 As debt carrying costs decline due to retirement of debt, the City will apply savings to accelerate achievement of full lifecycle costing of the City's infrastructure

Policy #9 Staff will monitor the City's debt annually and provide a report for consideration by the Finance Committee.

8.7 Challenge #7 - The management of cash balances and maximizing investment revenues

8.7.1 The Challenge

Managing cash balances to meet current financial obligations of the City and to maximize investment opportunities is critical to the revenue of and the ongoing operation of the City.

8.7.2 The Policy Statements

The following Policy Statements have been developed to deal with this challenge:

Policy #1 The City will maintain a minimum cash balance to meet current financial obligations and invest idle cash in accordance with an approved Investment Policy and through the establishment of

appropriate procedures for prompt revenue collection, efficient cash handling, and timely payment of accounts that will result in accurate cash flow projections.

Policy #2 The Finance Committee will monitor cash and investment income balances on a regular basis.

9.0 ASSET AND LIABILITY FUNDING CHALLENGES

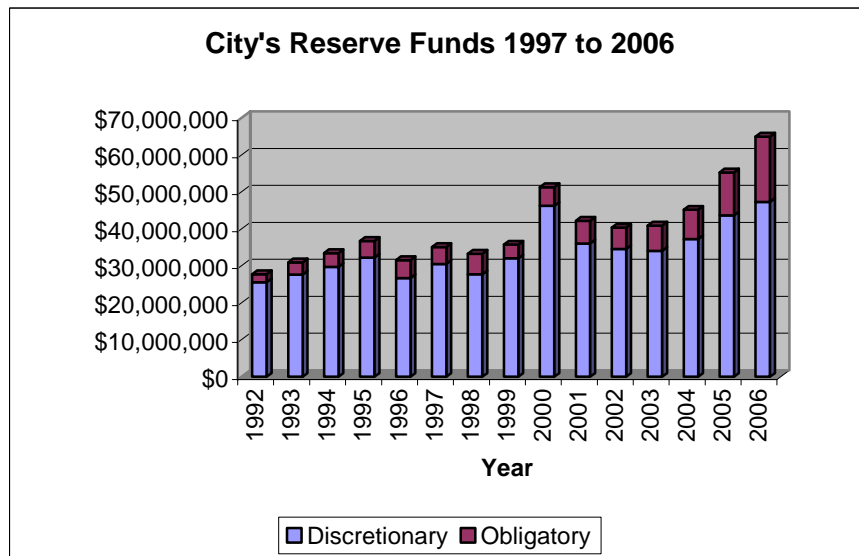
9.1 Challenge #1 – Insufficient Reserve fund balances to meet capital needs

9.1.1 The Challenge

Reserve Funds form an integral part of sound financial management and planning. The BMA Municipal Study states that the purpose for maintaining Reserve Funds is to:

- Provide financing for one-time or short-term requirements without permanently impacting the tax or utility rates.
- Make provisions for replacement/acquisition of assets or infrastructure that are currently being consumed or depleted.
- Avoid spikes in funding requirements of the capital budget by reducing their reliance on long-term debt borrowing.
- Provide a source of internal financing.
- Ensure adequate cash flow.
- Provide flexibility to manage debt levels and protect the municipality's financial position.
- Provide for future liabilities incurred in the current year but paid for in the future.

The following graph shows the history of the year-end balances for the City's Reserve Funds for the period from 1997 to 2006.



The indicator of reserves as a percentage of expenditures provides a measure of the financial health of a municipality. The following chart illustrates a comparison between the City and selected comparators using this indicator.

| MUNICIPALITY | 2003 | 2004 | 2005 |
|--------------------|--------------|--------------|--------------|
| Cambridge | 25.3% | 21.5% | 45.5% |
| Kingston | 33.9% | 33.5% | 34.3% |
| Burlington | 30.0% | 33.5% | 31.5% |
| Hamilton | 31.5% | 32.8% | 30.9% |
| Waterloo | 10.9% | 28.4% | 28.6% |
| Barrie | 37.1% | 26.8% | 26.7% |
| London | 27.5% | 27.0% | 26.2% |
| Peterborough | 23.7% | 23.1% | 23.9% |
| Guelph | 21.7% | 19.6% | 21.6% |
| Brantford | 17.9% | 17.4% | 20.0% |
| Niagara Falls | 23.1% | 17.3% | 18.5% |
| Kitchener | 19.3% | 14.3% | 18.2% |
| Oshawa | 18.1% | 17.0% | 17.0% |
| Sarnia | 15.7% | 15.6% | 16.1% |
| Windsor | 16.8% | 14.4% | 10.5% |
| | | | |
| BMA Report Average | 42.2% | 40.1% | 36.5% |
| BMA Report Median | 45.1% | 41.0% | 34.2% |

The City's Reserve Fund as a percentage of total expenditures has increased between 2003 and 2005 from a low of 17.4% in 2004 to a high of 20.0% in 2005. While this is positive, Brantford is still below the levels of most of the comparator municipalities and is below both the BMA average (36.5%) and median (34.2%).

Although the City currently has over \$60 million in Reserve Funds, this amount is inadequate. The current Reserve Fund levels are not sufficient to meet the obligations for which the funds are set up. The City has maintained small balances within most Reserve Funds and has depended more heavily on the Operating Budget for funding of the City's capital needs on an ongoing basis. It is important to note that the Reserve Fund contributions from the Operating Budget has not been maintained commensurate with the City's growing infrastructure deficit. For some years, the annual contribution has increased nominally resulting in the value of this contribution has eroded due to inflation. Some funds are underfunded due to lack of ongoing and consistent contributions, such as the post employment benefit liabilities (\$11 million shortfall). While other Reserve Funds have no funds, such as the Landfill Closure/Post-Closure Liability (\$10 million shortfall).

Addressing the issue of Reserve Fund inadequacies, and moving to place the organization on a sustainable financial footing for the future, the City will have to make difficult decisions, which for the most part will place added pressure on the Operating Budget. As the City completes the Asset Management Plans, PSAB Tangible Capital Asset Reporting and initiates lifecycle costing, consideration should be given to a phased approach to addressing Reserve Fund shortfalls, which includes the prioritizing of needs. A possible phased approach to funding for Reserve Funds to meet these needs could be based on the following model:

- Immediate Priority: Reserve Funds that are currently underfunded but have very short term pressure or need for immediate action. Phase-in timeframe: 1 year

- Medium Term Priority: Reserve funds that are currently underfunded but present a medium term pressure or slightly delayed need for action. Phase-in timeframe: 2 to 5 years.
- Long Term Priority: Reflect the need to create new Reserve Funds as part of an initiative supporting a longer-term financial strategy (i.e. landfill closure/post-closure, replacement/rehabilitation of major asset or infrastructure). Phase-in timeframe: 6 to 10 years.

There should also be bi-annual reviews of the relevance and adequacy of each Reserve Fund. As part of such reviews, where a Reserve Fund is determined to be inadequate in relation to target levels, the funding strategy may have to change with consideration being given to the City's affordability and the probability of the unfunded liability materializing.

9.1.2 The Policy Statements

The following Policy Statements have been developed to deal with this challenge:

- Policy #1 Reserves will be reviewed on a bi-annual basis to determine their adequacy and a report, for consideration by Finance Committee, will be prepared highlighting the target balances compared with the existing balance and reserve projections. Reserve Funds will be classified as follows:
- Mandatory Reserve Funds
 - User-Rate Supported Reserve Funds
 - Under-Funded Liability Reserve Funds
 - Contingency Reserve Funds
 - Discretionary Reserve funds
- Policy #2 If as a result of the bi-annual review, a Reserve Fund is found to be no longer necessary, the balance should be allocated to Reserve Funds that are underfunded on a corporate priority basis for consideration by the Finance Committee.
- Policy #3 Upon completion of the Asset Management Plan, PSAB Tangible Capital Asset Reporting and initiating lifecycle costing, Reserve Funds will be supported by a financial plan identifying contribution sources based on a priority and phased-in approach, and projected disbursements required to meet planned obligations to be funded by Reserve Funds.
- Policy #4 All Reserves will become Reserve Funds and all Reserve Funds will be credited interest to maintain purchasing power parity.
- Policy #5 Annual contributions will be made to meet future obligations associated with Post Employee Benefits and other long-term obligations such as the Landfill Closure/Post Closure liability.

9.2 Challenge #2 - The need to increase the Capital Envelope funding

9.2.1 The Challenge

The tax supported Operating Budget funds the Capital Envelope in the amount of approximately \$14 million annually. This amount has remained relatively unchanged for the past three years.

This static funding level does not take into account having to deal with ensuring that there are adequate funds to deal with the rising infrastructure deficit. The amount of the Capital Envelope needs to be increased to reflect the City's capital needs, Council's Priorities and the impact of inflation.

9.2.2 The Policy Statements

The following Policy Statements have been developed to deal with this challenge:

Policy #1 The amount of the Capital Envelope funded through the Operating Budget will be reviewed annually, with a report that will outline funding scenarios for the Capital Envelope for consideration by the Finance Committee prior to the issuing of the City's Budget Guidelines for the upcoming budget process. The scenarios forming part of this review will take into account the City's capital needs, Council's Priorities and the impact of inflation based on the Construction Price Index published by Statistics Canada.

Policy #2 As a complement to the Capital Envelope, upon receipt of any dividends received from the Brantford Energy Group of Companies, these funds will be directed to a Reserve Fund to be used to fund annual capital projects.

10.0 FINANCIAL STRATEGY

10.1 Introduction

10.1.1 Purpose

The City's Strategic Financial Plan is a framework to guide City Council and the City's departments, boards and committees in their financial planning and decision-making processes.

10.1.2 Outcome

An improved and strengthened long-term financial health for the City.

10.1.3 Objectives

- To focus on cost efficient and effective service and program delivery.
- To maximize revenues through a variety of sources.
- To use debt in a fiscally responsible manner.
- To properly maintain and fund the City's physical assets.
- To account for and fund liabilities.
- To ensure that user fees remain regionally competitive.
- To ensure that growth will pay its fair share of growth related infrastructure costs.
- To establish a stable and equitable tax burden policy for the community.

10.1.4 Policies

- 10.2 General Policies
- 10.3 Financial Management Policies
- 10.4 Tax Policies
- 10.5 General Revenue Policies
- 10.6 Development Charges
- 10.7 Casino Funding
- 10.8 User Fees
- 10.9 Funding From Other Levels of Government
- 10.10 Asset Management and Liabilities Policies
- 10.11 General Reserve Fund Policies
- 10.12 Specific Reserve Fund Policies
- 10.13 Capital Budget Management Policies
- 10.14 Debt Management Policies
- 10.15 Surplus Management Policies

10.2 General Policies

- 10.2.1 At the start of the term of Council, the City will undertake a comprehensive review and update of the Strategic Plan and identify priorities key intended outcomes and actions, including measurable results for each action.
- 10.2.2 At the beginning of each of the subsequent years of the term of Council, a Priority Setting Session will be held to revisit and update the Council's strategic and financial priorities.
- 10.2.3 Staff will monitor the Ministry of Municipal Affairs and Housing, the Public Sector Accounting Board (PSAB), and other legislative/association websites and literature to ensure that the City is aware of changes affecting financial reporting and, where necessary, will amend accounting procedures or develop policies for consideration by Finance Committee in order to comply with the most current reporting requirements.
- 10.2.4 The City will evaluate its role in the promotion and development of industrial land through an Economic Development Strategy. Part of this Strategy will include the alternatives and their financial implications.
- 10.2.5 A Program Review process will be undertaken and completed by 2010 that will review all business activities offered by the City to ensure that all existing services and programs and their delivery levels are still necessary and are being provided in an effective and cost efficient manner.
- 10.2.6 Ongoing Value for Money Audits will be undertaken to ensure that controls and procedures are being followed and to identify possible cost efficiencies or enhanced revenue opportunities.

10.3 Financial Management Policies

- 10.3.1 Provisions will be made for unanticipated expenditures within the annual Operating Budget through a Corporate Contingency Reserve Fund funded through the Council Priorities Reserve Fund, with a targeted level of 1.5% of the Net Operating Budget.
- 10.3.2 The City will explore cooperative and collective purchasing agreements with other municipalities, schools, post-secondary education institutions, and/or hospitals to take advantages of economies of scale.
- 10.3.3 The City will seek opportunities to enter into fair and equitable joint service agreements with neighbouring municipalities.
- 10.3.4 The funding of individual local boards and joint service agreements will be reviewed on a regular basis by the Finance Committee to determine the appropriateness of the current funding level.

- 10.3.5 Proposals for new services or service level adjustments (mandatory or discretionary) will be presented to Finance Committee for consideration. These proposals shall include impacts on the operating and capital budgets, funding sources, human resource requirements, performance measures, and long-term financial impact.
- 10.3.6 The City will maintain a minimum cash balance to meet current financial obligations and invest idle cash in accordance with an approved Investment Policy and through the establishment of appropriate procedures for prompt revenue collection, efficient cash handling, and timely payment of accounts that will result in accurate cash flow projections.
- 10.3.7 The Finance Committee will monitor cash balance and investment income on a regular basis.
- 10.3.8 The City will inventory all of its assets and evaluate each asset to determine whether it should be retained or disposed of in light of the long-term plans of the City.

10.4 Tax Policies

- 10.4.1 In 2008, staff will develop an action plan to reduce property taxes ratios for the Multi-Residential, Commercial, and Industrial Property Classes for consideration by Finance Committee. This plan will take into account that the timeframe to implement any reductions to these three Property Classes must be balanced to manage the impact of the shift in the tax burden to the Residential Property Class by maintaining the residential property tax to the average property owner at a level that is competitive with the City's comparator municipalities.
- 10.4.2 Over the timeframe of this Plan, the City will implement the Council approved phase-out to remove the dependence on the Residential Tax Grant.
- 10.4.3 The City will not consider the use of Residential Tax Grants in the future.
- 10.4.4 The City will explore opportunities to provide developers with financial incentives to recover development costs through the use of Property Tax Reduction Financing Programs and Tax Incremental Financing Programs.

10.5 General Revenue Policies

- 10.5.1 The City will review its revenue sources with the goal of reducing the burden on property taxes as the primary source of revenue through increases in existing revenue sources and the investigation of new revenue sources.

10.6 Development Charges

- 10.6.1 The City will be guided by the principle that growth shall pay for itself.
- 10.6.2 The City will establish Development Charges at an optimal level in order to fund capital projects required to support the City's growth related infrastructure.
- 10.6.3 An annual review will be undertaken by the Finance Committee to determine if a capital projects update is necessary to the Development Charges Background Study.

10.7 Casino Revenue

- 10.7.1 The City will attempt to negotiate with the Ontario Lottery Corporation to secure a new funding model from the Brantford Charity Casino.
- 10.7.2 Once current allocation commitments are fulfilled; the City will not allocate Casino revenues until the year following the year that the funds are received.
- 10.7.3 On an annual basis, staff will prepare a report recommending allocations of Casino revenues based on Council Priorities for consideration by the Finance Committee.

10.8 User Fees

- 10.8.1 Where applicable, the City will identify "User Rate Supported" services that will ensure that they recover the full cost of the providing the service, including cost associated with operating, capital and administration. The goal is that the following be completely "User Rate Supported" services by the end of the timeframe of this Plan:
- Water Treatment and Distribution
 - Pollution Control and Collection
 - Brantford Power
 - Building Services
 - Fleet Operations
 - Solid Waste
 - Golf Operations
- 10.8.2 The Finance Committee will investigate whether any additional current or new services should be included as "User Rate Supported" services.
- 10.8.3 For all other services, user fees will be considered by the City where:
- There is a clear relationship between the fees paid by users and the benefits received by the user.

- The member of the public has a choice as to the extent to which he/she uses the service.
- It is administratively feasible to collect the charge at a reasonable cost.
- The benefits can be quantified and attributed to the user.

10.8.4 By the end of 2008, staff will prepare a report(s) for consideration by Finance Committee that will establish a baseline for the user fees. The report(s) will include the following:

- Identify and document the business units involved in the program or service.
- Identify the full costs of the program or service as permitted under legislation.
- Identify the ways that fees are currently set and the extent that they recover the cost of the program or service provided.
- Establish a rationale, targets and timing for the proportion of the cost that will be recovered from user fees and which costs will be recovered from property taxes.

10.8.5 The user fees structure will be sensitive to the “market” for similar services and in setting user fees, the City will consider fees charged by other agencies or municipalities providing similar services. However, user fees surveys shall not be the sole or primary criteria in setting City use fees.

10.8.6 The City will strive to increase user fees as a percentage of overall funding by identifying new areas where user fees can be implemented and by ensuring that existing fees are updated based on increases in the associated costs to provide the service.

10.8.7 The City will review and update user fees annually taking into consideration the increase in all costs, current “market” situation, and minimizing negative impacts to the public that would result in not limiting access to the service.

10.8.8 The City will investigate the use of a two-tier user fee structure based on charging higher user fees for non-City residents, for consideration by Finance Committee by the end of 2008.

10.9 Funding From Other Levels of Government

10.9.1 By working with the representatives of the Federal and Provincial Governments, as well as with the Federation of Canadian Municipalities (FCM) and the Association of the Municipalities of Ontario (AMO), the City will lobby additional ongoing and stable funding from the Provincial and Federal Governments.

10.9.2 A multi-year reduction program shall be developed, which assesses the impact of eliminating the City’s reliance on the Ontario Municipal

- Partnership Fund and explores a phased increase in the Operating Budget to deal with the loss in revenue from the Provincial Government.
- 10.9.3 The optimum time for presenting opportunities for one time funding will be during the annual budget process.
- 10.9.4 The implications on the City's Operating and Capital Budgets of any one time funding, and any associated conditions, will be presented to Finance Committee for consideration.
- 10.9.5 Consideration will be given to phase in increases or decreases to operating budgets that result from funding shifts through the use of Discretionary Reserve Funds.
- 10.9.6 The annual Operating Budget shall only include revenue from other governments if the amounts are known or can be reasonably estimated based on agreements or other reliable documentation.
- 10.9.7 The City will participate in grant/subsidy programs from other levels of Government, only if programs/projects to be supported are required or can be justified independent of the provision of the grant/subsidy.
- 10.10 Asset Management and Liabilities Policies**
- 10.10.1 The City will implement lifecycle costing to provide for the future replacement or rehabilitation of the City's current capital assets, through the use of Public Sector Accounting Board (PSAB) Tangible Capital Asset Reporting, Asset Management Plans and lifecycle costing.
- 10.10.2 Upon completion of the Asset Management Plan, PSAB Tangible Capital Asset Reporting and initiating lifecycle costing, Reserve Funds will be supported by a financial plan identifying contribution sources based on a priority and phased-in approach, and projected disbursements required to meet planned obligations to be funded by Reserve Funds.
- 10.10.3 The City will include increased funding within its annual Capital funding to effect lifecycle costing for all of the City's tangible capital assets to be fully implemented by 2017.
- 10.10.4 In the event of the disposition of any asset, the resulting funds will be directed to the appropriate Reserve Fund.
- 10.10.5 At this point in time, the City will not dispose of any components of the Brantford Energy Group of Companies or the monetizing of its investments. If in the future, consideration is given to either of these matters, any such monies realized shall be spent only on Capital assets consistent with the Strategic Plan and Council Priorities.

10.11 General Reserve Fund Policies

10.11.1 Reserves will be reviewed on a bi-annual basis to determine their adequacy and a report, for consideration by Finance Committee, will be prepared highlighting the target balances compared with the existing balance and reserve projections. Reserve Funds will be classified as follows:

- Mandatory Reserve Funds
- User-Rate Supported Reserve Funds
- Under-Funded Liability Reserve Funds
- Contingency Reserve Funds
- Discretionary Reserve Funds

10.11.2 If as a result of the bi-annual review, a Reserve Fund is found to be no longer necessary, the balance should be allocated to Reserve Funds that are underfunded on a corporate priority basis for consideration by Finance Committee.

10.11.3 All Reserves will become Reserve Funds and all Reserve Funds will be credited interest to maintain purchasing power parity.

10.12 Specific Reserve Fund Policies

10.12.1 Risk specific issues will be funded through the establishment and funding of a Corporate Risk Specific Contingency Reserve Fund to be funded at a level to be determined by staff for consideration by the Finance Committee.

10.12.2 Annual contributions will be made to meet future obligations associated with Post Employee Benefits and other long-term obligations such as Landfill Closure/Post Closure liability.

10.12.3 The City will ensure that funding from City contingencies reserve funds is available to respond to an emergency situation. To supplement this funding, the City will approach the Provincial and Federal Governments for financial assistance during emergency situations.

10.13 Capital Budget Management Policies

10.13.1 The City will move to a Five-Year Capital Budget process with detailed project and financial information identified for each year. The Five-Year Capital Budget will be reevaluated and updated on an annual basis by staff for consideration by the Finance Committee.

10.13.2 A corporate prioritization process will be established for all capital projects. All projects shall be consistent with the City's Community Strategic Plan, Council's Priorities, and supplemented with the following criteria related to priority allocations for expenditures:

- Mandatory
- Safety/Health
- Maintenance of Infrastructure
- Expansion & Growth
- Other

10.13.3 The amount of the Capital Envelope funded through the Operating Budget will be reviewed annually, with a report that will outline funding scenarios for the Capital Envelope for consideration by the Finance Committee prior to the issuing of the City's Budget Guidelines for the upcoming budget process. The scenarios forming part of this review will take into account the City's capital needs, Council's Priorities and the impact of inflation based on the Construction Price Index published by Statistics Canada.

10.13.4 As a complement to the Capital Envelope, upon receipt of any dividends received from the Brantford Energy Group of Companies, these funds will be directed to a Reserve Fund to be used to fund annual capital projects.

10.14 Debt Management Policies

10.14.1 For Tax-Supported debt, debt carrying costs must be paid through the City's Operating Budget, while for Rate-Supported debt, debt carrying costs must be paid through user fees.

10.14.2 The use of internal borrowing should be maximized to reduce borrowing costs, while taking into consideration the impact on the City's overall financial position. Internal borrowing shall mean borrowing from Reserve Funds.

10.14.3 The City shall establish a debt level guideline and to assist in establishing this guideline the following will be used:

- The municipal debt limits established in Provincial legislation.
- The City's debt charges as a percentage of expenditures indicator.
- The City's debt outstanding per capita indicator.
- The City's debt to reserve ratio indicator.

10.14.4 In consideration with the City's Capital Plan, debt financing could be used in the following projects and should be issued for no longer than 80% of the life of the asset being funded:

- Projects that support the City's Strategic Plan.
- Projects that are funded entirely through user fees on a permanent basis.
- Projects that result from an emergency situation.

10.14.5 Lifecycle capital projects that renew or rehabilitate existing assets should not be eligible for debt financing and a planned process will be developed whereby an annual tax-supported contribution will be made to meet lifecycle needs of all assets.

- 10.14.6 Until lifecycle costing is fully implemented, the City will consider undertaking a short-term managed program of debt financing to address the City's current infrastructure deficiency and to reduce further deterioration of the City's infrastructure.
- 10.14.7 The City will structure debt to be consistent with a fair allocation of costs to current and future beneficiaries or users.
- 10.14.8 As debt carrying costs decline due to retirement of debt, the City will apply savings to accelerate achievement of full lifecycle costing of the City's infrastructure.
- 10.14.9 The City will monitor its debt annually and report the results to the Finance Committee.

10.15 Surplus Management Policies

- 10.15.1 Staff will prepare quarterly variance reports for consideration by the Finance Committee to increase accuracy in anticipating year-end surpluses/deficits.
- 10.15.2 The surplus from an audited year-end balance will be transferred to the City Council Priorities Reserve Fund at the end of each fiscal year and will be available for allocation by City Council after the Audited Financial Statements have been presented to City Council.
- 10.15.3 Funds from the Council Priorities Reserve Fund will be allocated to the following:
- To fund the annual Corporate Contingency Reserve Fund.
 - To fund any necessary funding for Council Priorities.
 - To fund under funded Reserve Funds.
- 10.15.4 Staff will develop recommended annual allocations from the Council Priorities Reserve Fund for consideration by the Finance Committee consistent with the Strategic Plan, Council's Priorities, and the Strategic Financial Plan.

11.0 NEXT STEPS

11.1 Implementation

Planning to improve and strengthen the financial health of the City will be an on-going initiative. This document is the City's first Long Term Strategic Financial Plan. Once adopted by City Council, the principles and policies within this Financial Plan can be used as a set of fundamental "ground rules" that Council could use when making decisions having financial implications.

Some of the policies within this Financial Plan identify areas that require further work or review. In addition, with the ever-changing municipal environment that has existed over the past decade, there will likely be new issues that arise through the life of this document that will require investigation and which may also require the introduction of updated or new policies.

In order to achieve the stated outcome of an improved and strengthened long-term financial health for the City, two vital components of the conceptual framework used in the development of this document are:

1. The development of a work plan to implement the policies of the City's Strategic Financial Plan
2. An ongoing monitoring process to track the progress of these policies and to determine where improvements and updates to the existing policies are necessary and to identify new issues that need to be addressed.

11.2 Work Plan

(To be developed once all of the policies are finalized)

Format to consist of the statement of the policy, the outcome or product anticipated (i.e. strategy, policy, baseline information), responsible department(s), and timing for completion.

11.3 Monitoring

(To be developed once all of the policies are finalized)