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Long Term Financial Sustainability Plan

POLICY

The County has the responsibility to act as good stewards so that the County's infrastructure, social and human supports provide the services required today and in the future. The purpose of this document is to ensure that sufficient funding and resources are provided over the long term. This will ensure services and infrastructure will be sustained at the required level to maximize value to the citizens of the County.

DEFINITIONS

Financial Sustainability means preserving fiscal integrity of today's services while planning for tomorrow's demands. Strong financial sustainability is the foundation for economic growth, flexibility in service delivery and the ability to meet human and social demands.

PROCEDURES

1.0 Long Term Financial Planning

- 1.1 Long term financial planning secures current services by developing strong financial management practices through capacity building, and a solid integrated control and performance framework. Sound long term financial planning provides fiscal integrity by allowing the County the ability to respond to changes, recover from unplanned events and re-establish fiscal stability.
- 1.2 Long term financial planning is an iterative process that identifies current and future sustainable resource needs in order to achieve the County's strategic goals.
- 1.3 The long term financial plan is developed on a horizontal basis across all departments within the organization and encompasses information from all known and potential risks and economic changes that face the organization over the long term.
- 1.4 An integrated long term financial plan is a holistic planning framework based on the overall strategic objectives and acts as a roadmap for management to follow

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to help maintain sustainable, logical and achievable financial policies in order to achieve its goals.

1.4.1 Elements of a holistic planning framework include:

- 1.4.1.1 Strategic plan
- 1.4.1.2 Business plans and budgeting
- 1.4.1.3 Capital Plan
- 1.4.1.4 Performance reporting
- 1.4.1.5 Risk management plan
- 1.4.1.6 Internal control framework
- 1.4.1.7 Asset management plan
- 1.4.1.8 Investment policy
- 1.4.1.9 Debt management policy
- 1.4.1.10 Reserve policy
- 1.4.1.11 Human resources plan
- 1.4.1.12 Business continuity plan

1.5 Benefits of integrated long term financial planning include:

- 1.5.1 It aligns the organization's priorities with the organization's mission, strategic plan and budgetary resources;
- 1.5.2 It serves as a roadmap and supports the achievement of business excellence by promoting initiatives that serve the vision of the organization;
- 1.5.3 Supports strategies that are tailored to meet the current and future needs of the organization;
- 1.5.4 Leads to a supportive and continuous learning culture through planning efforts associated with the environment, employees, vendors, customers, taxpayers and Councillors;
- 1.5.5 Informs the development of business cases to justify resources identified through current and future needs analysis;
- 1.5.6 Assists managers in realigning their workforce and resources (e.g. reduction, expansion, change in business lines);
- 1.5.7 Incorporates the understanding of external forces and risks that can affect the organization's goals;
- 1.5.8 Ultimately helps managers meet their responsibilities and accountabilities;
- 1.5.9 Helps develop and ensure sustained, strong leadership across the organization; and
- 1.5.10 Facilitates performance improvement and reporting through the development of performance measures.

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1.6 Objectives of long term financial planning are:

- 1.6.1 Promotes financial sustainability;
- 1.6.2 Takes an enterprise view of financial decisions rather than departmental or first come first served approach;
- 1.6.3 Aligns financial decisions with strategic initiatives;
- 1.6.4 Establishes priority setting tools to evaluate projects based upon a common set of criteria;
- 1.6.5 Identifies and illustrate long term implications of decisions based upon data;
- 1.6.6 Provides an ongoing set of metrics to assess performance;
- 1.6.7 Supports multi-year planning; and
- 1.6.8 Ensures optimal balance between service levels, revenue requirements and asset renewal.

2.0 Strategic Plan

Strategic planning is the process of determining a municipality's long term vision and goals, and developing the action plan for achieving those goals. The strategic plan is a tool for communicating strategic priorities to staff and citizens, thereby providing direction for internal operating departments to align their service delivery channels with these priorities.

Planning for tomorrow involves developing a strategic plan that reflects the community vision, demographic trends and fiscal reality.

2.1 The key purposes of a strategic plan are:

- 2.1.1 establish a collective vision;
- 2.1.2 plan for the future;
- 2.1.3 maximize resources;
- 2.1.4 communicate priorities.

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3.0 Business Plans and Budgeting

Integration of the strategic plan with budgeting is further reinforced through the use of business plans which provide focus for operating departments to establish annual business goals that are linked to the strategic plan, outlines resource requirements necessary to achieve those goals, as well as identifying appropriate performance measures.

3.1 Annual Strategic Plan/Business Plan/Budget Cycle

- 3.1.1 April - June (Q2) – review strategic plan including goals, objectives and initiatives and establish performance agreements
- 3.1.2 July – September (Q3) – establish business plan goals aligned with strategic plan
- 3.1.3 October – December (Q4) – business plan and budget submission
- 3.1.4 January – March (Q1) – reporting strategic plan progress and finalizing performance indicators

3.2 Business Plan Format

The business plan provides an overview for Council and management on performance for the year. It is a blueprint or work plan for the business unit that can be easily referred to and act as a guide and resource. Annual business plans will be presented in the format as illustrated in Appendix "A".

3.3 Business Plan by Business Unit

Each business unit having a unique service or division within a department will prepare a business plan.

3.3.1 Business Unit Defined

For the purpose of this policy a business unit is defined as: "A logical element or segment of the corporation (such as finance, information systems, human resources) representing a specific business function, and a definite place on the organizational chart, under the domain of a manager. Also called a division or functional area."

3.4 Planning Horizon

Operations will be planned and budgeted based on five years.

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4.0 Capital Plan

A capital plan consists of a capital budget and a capital program. The plan identifies capital projects and equipment purchases, provides a planning schedule and identifies financing sources for the plan.

4.1 Capital Plan Reports

A capital plan will be planned and budgeted based on a 20 year horizon, using RIVA – Asset Management tool as a resource for setting priorities in keeping with the strategic plan. The capital plan will be reviewed and updated on an annual basis in conjunction with the annual budget program – presented to Council in Q4 of the year prior to the first year of the plan. The annual reports will be presented in a similar format as illustrated in Appendix “B”.

5.0 Performance Reporting

Performance measures are indicators of the efficiency, effectiveness and productivity of the County. It is the process whereby the County establishes the parameters within which programs, investments, and acquisitions are reaching their desired results. To be effective, performance measures must be aligned with the strategic vision and objectives.

5.1 A performance management system that is linked to the strategic plan establishes the following:

- 5.1.1 Objectives against which progress is measured;
- 5.1.2 Tracking inputs, outcomes and efficiencies;
- 5.1.3 Benchmarking, which sets targets and makes performance comparisons; and
- 5.1.4 Program evaluation, which compares effectiveness through performance measures and outcomes.

5.2 Objectives Progress Reporting

Objectives against which progress is measured will be presented to Council on a quarterly basis each year with the exception of the first quarter. Reports will be accumulative in that they compare year to date actual figures with the annual budget and a projected forecast for year end. The quarterly reports will be presented in the format as illustrated in Appendix “C”.

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5.3 Tracking Inputs, Outcomes and Efficiencies

Tracking inputs, outcomes and efficiencies is measured by budget to actual variance reports and presented to Council on a quarterly basis with the exception of the first quarter.

5.4 Benchmarking

Benchmarking sets targets and makes performance comparisons that are reported on an annual basis as part of the annual report that is presented to Council in Q1 of the following year. Samples of some benchmarks that may be included in the annual report are provided in Appendix "D".

5.5 Program Evaluation

Program evaluation compares effectiveness through performance measures.

Performance measures are approved as part of the annual business plan and will be reported on an annual basis in Q2 of the following year when establishing performance measures for the new year.

Program evaluation will include periodic citizen satisfaction analysis.

6.0 **Risk Management Plan** – Policy No. X.X of the County's General Policy Manual – *In progress*

A risk management plan establishes a process designed to foresee risks, to estimate the exposure to loss, and to create response plans to mitigate potential loss.

6.1 A risk management plan describes:

- 6.1.1 Processes to identify risks, analyze identified risks, develop risk responses, record and communicate risk information; and
- 6.1.2 Processes used for monitoring service delivery and special projects to control risks.

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7.0 Internal Control Framework - Policy No. X.X of the County's General Policy Manual - In progress

An effective and integrated control framework establishes sound procedures, practices and competencies to support the organization and individual managers in their achievement of citizen focus results and ensures responsible spending and highly effective management of public resources.

- 7.1 An internal control framework includes the following:
 - 7.1.1 Policies and procedures developed for all major financial processes;
 - 7.1.2 Training for staff on financial management practices;
 - 7.1.3 Fraud risk assessment;
 - 7.1.4 Comprehensive and regular financial reporting based on consultation with management to determine reporting requirements; and
 - 7.1.5 Code of conduct for employees that is documented and communicated to ensure it is understood and reflected corporate behaviors.

8.0 Asset Management Plan

Is developed for the management of infrastructure assets that combines multi-disciplinary management techniques (including technical and financial) over the life cycle of the asset in the most cost effective manner to provide a specific level of service.

- 8.1 The County employs an effective enterprise resource management system for asset management purposes which includes the following:
 - 8.1.1 Comprehensive asset inventory including condition ratings;
 - 8.1.2 Replacement costs for the asset inventory items;
 - 8.1.3 Maintenance management system developed in order to assess maintenance versus replacement requirements;
 - 8.1.4 Asset accounting and asset management practices are aligned – refer to "Accounting Treatment for Capital Assets" Policy No. 6. 4 of the County's General Policy Manual
 - 8.1.5 Asset service levels and expected useful lives have been developed and regularly monitored for updating as new information becomes available.

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9.0 Investment Policy - Policy No. 6.6 of the County's General Policy

The objective of the County's Investment Policy is to maximize investment income at a minimal risk to capital. Accordingly, the emphasis for investments is on security first, liquidity second and overall yield third.

It is the intent of the policy to ensure integrity of the investment management process and to establish a reporting structure.

10.0 Debt Management Policy - Policy No. 6.19 of the County's General Policy

A prudent debt management policy restricts long term debt to be used for capital expenditures and not operating costs. It addresses debt requirements with respect to short and long term debt horizons and has regard for exposure to debt related risk such as those arising from interest rate and currency movements, refinancing, and concentration of lenders.

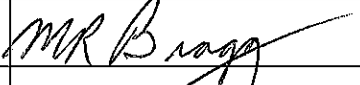
It is the intent of the policy to ensure the County's assets are appropriately leveraged and to establish a debt management plan that is integrated with the 20 year Capital Plan.

11.0 Reserve Policy - Policy No. 6.20 of the County's General Policy

The reserve policy is established to secure adequate working capital for cash flow and contingency purposes while maintaining reasonable tax rates. Reserves serve as a mechanism to plan financially for both today and the future. The County strives to maintain solid reserves and reserve fund positions to ensure future liabilities can be met; capital assets/infrastructure are properly maintained; and that the County maintains sufficient financial flexibility to respond to economic cycles or unanticipated financial requirements.

11.1 The purpose for maintaining reserves includes:

- 11.1.1 To provide tax rate stabilization in the face of variable and uncontrollable factors (growth, interest rates, unemployment rates, changes in subsidies);
- 11.1.2 To provide financing for one-time or short term requirements without permanently impacting tax rates;
- 11.1.3 To segregate funds received and/or to be used for a specific purpose;
- 11.1.4 To make provisions for replacements/renewals/acquisitions of assets/infrastructure that are currently being consumed;
- 11.1.5 To avoid spikes in funding requirements for large capital projects by reducing their reliance on long term debt borrowings;

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- 11.1.6 To provide a source of internal financing;
- 11.1.7 To ensure adequate and sustainable cash flows;
- 11.1.8 To provide flexibility to manage debt levels within Council approved guidelines and protect the County's financial position; and
- 11.1.9 To provide for future liabilities incurred in the current year but paid for in the future.

12.0 Human Resources Plan – Policy No. X.X of the County's General Policy – *to be developed*

Succession planning and management involves an integrated, systematic approach to identify, develop, and retain talent for key positions and areas in line with current and projected business objectives.

12.1 A succession plan minimizes the County's exposure to:

- 12.1.1 Disruption in service;
- 12.1.2 Disruption in productivity;
- 12.1.3 Stalled projects;
- 12.1.4 Decreased employee morale;
- 12.1.5 Unclear organizational direction; and
- 12.1.6 Loss of critical knowledge.

13.0 Business Continuity Plan - Policy No. X.X of the County's General Policy – *to be developed*

A business continuity plan enables critical services or products to be continually delivered to citizens. It not only ensures that critical operations continue to be available, it focuses on resuming County business after critical operations have ceased, or recovering after a disaster.

13.1 Critical Services or Products

Critical services or products are those that must be delivered to ensure survival, avoid causing injury, and meet legal obligations of the County.

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14.0 Long Term Financial Sustainability Plan Review Period

A long term financial sustainability plan is a dynamic document and should be updated and re-evaluated on an on-going basis.

14.1 Frequency of Updates

Frequency of updates will depend on a number of factors including but not limited to:

- 14.1.1 The extent to which a change in the economy may impact the existing long term plan and how it would differ from the existing plan;
- 14.1.2 Whether Council has approved new projects/programs or initiatives that will impact the plan;
- 14.1.3 Whether changes are being made to the timing of major capital undertakings;
- 14.1.4 Whether there are new announcements made with respect to other funding sources; and
- 14.1.5 Whether there are new policies that need to be incorporated into the plan.

Regardless of the aforementioned circumstances triggering a re-evaluation, planned review and updates should take place at least bi-annually.

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Appendix "A" – Business Plan Template

1. Business Overview

- a. **Service Statement** (Describe the core responsibilities/functions for your department)
- b. **Service Profile** (Detail a high-level descriptor of the organizational structure and full-time equivalent staffing levels in the department)
- c. **Organizational Profile**
- d. **FTE Count** (Full time, part time and overtime)
- e. **Key Stakeholders** (Detail major internal and external stakeholders who interact with the department)

2. Work Plan

- a. **Link to Strategic Plan** (Detail the business unit's links with the strategic plan – *to be determined once strategic plan is completed*)
- b. **Departmental Business Goals** (Identify 2-3 high-level business goals that will be accomplished during the business year. Goals should be representative of the departmental priorities and not detailed operational goals. As well, provide a performance measure indicating how success will be demonstrated)

1. Performance Measurement

- a. **Measurement** (Detail high-level performance measures that provide information on the department's efficiency and effectiveness)
- b. **Notes about the Measure** (What are some assumptions about the performance measure that should be stated?)

Guidelines - as much as possible, use charts and diagrams for illustration purposes for all information except Section 1.a.



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Appendix "B" – Capital Plan Template

Explanation	Total 2011 Capital	Taxation	Reserves	Gas Tax Rebate	Gas Tax Reserve	170 Upgrade	Development Charges	Debtenture	Grants	CSAP
IS - IT - COMPUTER EQUIPMENT	357,950	357,950								
ARCHIVES - EQUIPMENT	45,000		45,000							
POA - FURNISHINGS	30,000	30,000								
CORPORATE SERVICES	432,950	387,950	45,000							
PLANNING - FURNISHINGS	800	800								
PLANNING	800	800								
SSH - HOUSING CAPITAL WORKS	975,000	525,000	450,000							
SSH - CW ADMIN - COMPUTER EQUIPMENT	15,000	7,500							7,500	
SOCIAL SERVICES AND HOUSING	990,000	532,500	450,000						7,500	
BOH - LOW-INCOME DENTAL - EQUIPMENT	104,966								104,966	
BOH - LOW-INCOME DENTAL - COMP EQUIPMENT	5,000								5,000	
BOH - HEALTHY BABIES - EQUIPMENT	2,800								2,800	
BOH - ADMINISTRATION - EQUIPMENT	34,500	8,625							25,875	
BOARD OF HEALTH	147,266	8,625							138,641	
EMS - VEHICLES	270,000	270,000								
EMS - MINOR CAPITAL	33,000	33,000								
EMS - EQUIPMENT	214,000	61,100	152,900							
EMERGENCY MEDICAL SERVICES	517,000	364,100	152,900							
PW - FLEET VEHICLE	922,000		922,000							
PW - TREE COMMS VEHICLE	28,000	28,000								
PW - WASTEWATER VEHICLES	180,000									
PW - WATER VEHICLE	40,000									
PW - WASTE MANAGEMENT - EQUIPMENT	45,000	45,000								
PW - LANDFILL STUDY	50,000									
PW - ROADS - EQUIPMENT	131,000	131,000								
COURT HOUSE	300,000		300,000							
TURNKEY	630,000		210,000						420,000	
OLD REGISTRY OFFICE	995,000		332,000						663,000	
PW FACILITIES - ADMIN BUILDING CAP REPAIRS	10,000		10,000							
PW FACILITIES - 93 GRAHAM BUILDING CAP REPAIRS	70,000		70,000							
PW FACILITIES - BOH BUILDING CAP REPAIRS	80,000		80,000							
COUNTY ROAD 2	10,000		10,000							
ROADS MULTI YEAR STUDY	10,000		10,000							
COUNTY ROAD 8 - WEST OF 59	100,000	100,000								
COUNTY ROAD 12 - SWEABURG DRAIN	350,000	350,000								
COUNTY ROAD 18	1,060,000			1,060,000						
COUNTY ROAD 20	200,000						200,000			
COUNTY ROAD 59 (NORWICH AVE)	525,000	110,000								
RR REHAB & RECONSTRUCTION	4,000,000	1,000,000		1,592,040	1,407,960					
BRIDGES	1,500,000	1,035,000					225,000			
ROAD SHOPS	500,000							500,000		
ROAD WEATHER INFO	25,000		25,000							
EMBRO SANITARY	149,000	149,000								
INGERSOLL SERVICING	800,000	800,000								
INNERKIP - WW SERVICING	314,000	164,000	150,000							
TAVISTOCK WDSK ST N	200,000	200,000								
SERVICING STUDY	150,000	110,000	40,000							
INTERSECTION IMPROVEMENTS/TRAFFIC SIGNALS	1,300,000	473,500		500,000			326,500			
PUBLIC WORKS - OPERATIONS	14,674,000	4,695,500	2,159,000	3,152,040	1,407,960		751,500	500,000	1,083,000	

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Appendix "C" – Objectives Progress Report Template

Initiated	Goals/Objectives	Percent Complete	Target Completion	Comments
2010	Oversee 5-Year Official Plan Review (as described for 2009)	25%	Q4 2010	Ongoing but not likely to be completed in 4 th quarter
2010	Oversee development of Information and Communication Accessibility Policy and Training Plan in accordance with Ministry Standards	10%	Q4 2010	Customer Service training has been provided in accordance with first standard.
2010	Oversee implementation of repairs identified in the Social Housing Facilities Assessment Report as funds become available	50%	Q4 2010	Capital Projects underway funded through the Social Housing Renovation Retrofit Program. Energy conservation projects awaiting provincial funding.
2010	Keeping abreast of monitoring small drinking water systems	50%	Q4 2010	Ongoing progress to expect complete program by quarter 4
2010	Smooth transition and orientation of new Council	0%	Q4 2010	After election
2010	Participate in the sister city activities with Taiwan	50%	Q2 2010	Initial meetings have been held in 1 st quarter and Art Exhibit is planned for 3 rd quarter
2010	Encourage the Management Group to explore options for an employee recognition plan	0%	Q2 2010	To occur in Q4

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Appendix "D" – Sample Benchmarks

Sustainability measures the degree to which a government can maintain its existing service and financial commitment. The following illustrates some sustainability measures based on the County's 2010 financial statements:

Sustainability Indicators

- Financial assets to liabilities
- Total cash and temporary investments to operating expenses
- Net working capital to operating expenses
- Net debt to total operating revenue
- Net debt to taxable assessment
- Accumulated surplus to taxable assessment
- Total debt per household
- Current ratio¹
- Rates coverage²
- Interest coverage³
- Sustainability ratio⁴

Notes:

- ¹ current assets/current liabilities - ability to meet short term debt obligations
- ² total tax revenue/total expenses - ability to cover its costs through tax revenue
- ³ earnings before interest/borrowing costs - ability to pay interest on outstanding debt
- ⁴ capital expenditures/amortization - net increase or decrease in the asset base

Flexibility Indicators measure the degree to which a municipality can change its debt or tax burden to meet its existing service and financial commitments. The following flexibility indicators have been calculated based on the County's 2010 financial statements:

Flexibility Indicators

- Debt charges to total operating revenues
- Total reserves to operating expenses
- Net book value of capital assets to cost of capital assets
- Total revenue to taxable assessment



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Vulnerability indicators measure the degree to which a government is dependent on sources of funding from outside its control or influence or the extent to which it is exposed to risks that could impair its existing ability to meet service and financial obligations. The following represents a vulnerability indicator based on the County's 2010 financial statements:

Vulnerability Indicators

Government transfers to total revenues

