Laurentian valley

Grow with us

Township of Laurentian Valley

Management Discussion & Analysis (MD&A)

Sean Crozier, Treasurer/Deputy CAO

June 20, 2023

About LV

LV is a welcoming community conveniently located along the majestic Ottawa River and the TransCanada Highway. We consist of a balance between small urban and rural areas. Beautiful natural heritage can be explored in many forests, rivers and lakes throughout. LV also boasts benefits from a growing commercial sector, volunteer recreation facilities, and residential developments which provide new and current residents with great opportunities to enjoy the excellent quality of life that LV offers. As we see our community continuing to prosper we ask you to come "Grow With Us."

Treasurer's Message

Today marks my 100th day at Laurentian Valley and although I was not part of these financial statements, I am proud to present them to you on the Corporation’s behalf. To me, the financial statements represent all the work council, staff and volunteers have put into serving the residents and businesses of Laurentian Valley. From every pothole filled, fire responded to, application received, or event administered, they are someway reflected in these financial statements. Leadership, management and staff should be proud of the state of Laurentian Valley’s financial affairs as I believe we possess a strong balance sheet (statement of financial position). This will be important as we navigate the post-Covid world and the pressures posed by the rapid change in technology and demand for increasing service levels. I have no doubt that the Township is in a great spot moving forward.

This report could not have been possible without the following people:

- Dean Sauriol, Chief Administrative Officer
- Charlene Jackson, former Treasurer/Deputy CAO
- Mark Behm, Public Works Manager
- Lauree Armstrong, Planner, Economic Development Officer, CEMC
- Katie Tollis-Flabbi, Community Development Officer
- Welch LLP
- City of Toronto Road of Recovery Report

Budget vs. Financial Statements:

Each year, Council adopts a "balanced" budget that sets the direction for the activities that staff and associations will use to deliver services for our rate payers and businesses. This budget is referred to as balanced as municipalities are mandated to adopt budgets where total revenues must equal total expenses. The annual budget is prepared on a modified cash basis, meaning we recognize current year planned cash inflows and outflows, regardless of when they occur. In contrast, the financial statements are prepared using the accrual method of accounting which recognizes revenue and expenditures when the action to earn or the obligation to pay occurs. This method is established by the Chartered Professional Accountants of Canada, and the Public Sector Accounting Board as part of the Public Sector Accounting Standards.

Revenue streams that municipalities rely on are property taxation, user fees, issuance of long-term debt and provincial and federal grants. Expenditures can be broken down into two categories, capital and operating. Capital expenditures are investments in infrastructure and equipment used in the delivery of services such as roads, water & sanitary pipes, tandem trucks, and vehicles. In contrast, operating activities are those incurred in the delivery of services such as salaries and wages, outsourced contracted services, materials and interest paid on long-term debt.

To convert the budget from the modified cash basis to the accrual basis, the following adjustments need to be made:

- Removal of contributions to and from reserves.
- Removal of debenture proceeds and debt principal payments.
- Removal of capital expenditures.
- Removal of proceeds of disposition of capital.
- Addition of Laurentian Valley's proportionate share of revenue and expenses for the Ottawa Valley Waste Recovery Centre and Pembroke and Area Airport Commission.

Once the conversion has occurred there is often an operating surplus. This is due to recognizing revenue for capital expenditures (portion of tax levy for capital, and government grants). The below chart outlines the adjustments made from the 2022 adopted budget to the 2022 budget for PSAB purposes as shown in the Statement of Operations.

Revenue as per budget		13,772,948
Add: Share of OVWMB revenue (23.27%)		1,619,034
Add: Share of Airport revenue (18.969%)		81,243
Less: Debenture roceeds	-	623,000
Less: Transfer from reserves	-	2,269,648
Less: Intrest earned on Gas Tax & DCs	-	4,500
Less: Internal transfers	-	672,544
Less: Sale of equipment	-	5,000
Less: Tax writeoffs	-	30,000
Adjusted revenue for PSAB purposes		11,868,533
Expenses as per budget		13,772,948
Less: Tax writeoffs	-	30,000
Less: Debt principal payments	-	512,835
Less: Transfer to reserves	-	901,980
Less: Capital expenditures	-	3,418,700
Add: Share of OVWMB expenditures (23.27%)		1,269,472
Add: Share of Airport expenditures (18.969%)		90,488
Less: Internal transfers	-	672,544
Less: Interest earned on Gas Tax	-	2,000
Less: DC Transfer to DCs	-	3,000
Adjusted expenses for PSAB purpouses		9,591,849
Net surplus/(deficit) for PSAB purposes		2,276,684

Key Ratios

LIQUIDITY

Ratio	Description	2022	Benchmark	5-Year Average
Cash Ratio	A measure of financial health. This is the number of times that cash and cash equivalents can cover current liabilities. Laurentian Valley is on par with the industry benchmark.	3.45	3.44	3.00
Financial Assets as a % of Total Liabilities	A measure of financial health. This shows how many times cash and assets that can be quickly converted to cash can cover total liabilities. Laurentian Valley is slightly below the industry benchmark, but has been trending positively in the past five years increasing 26%.	1.07	1.18	0.97
Accounts Receivable Turnover	This represents how quickly the Township collects receivables. A higher number shows that the Township is efficient in turning receivables into cash.	8.35	6.90	7.94

EFFICIENCY RATIOS

Ratio	Description	2022	Benchmark	5-Year Average
Net Book Value (NBV) as a % of Tangible Capital Assets (TCAs)	This ratio represents the age of our TCAs. A low ratio would indicate that we use older assets which require more maintenance. We are lower than the industry average and our % has remained stable in the past 5 years indicating that we are investing in our assets at the same rate they are depreciating.	41%	67%	41%
Total Asset Consumption Ratio	This ratio is the opposite of the NBV as a % of TCAs. This ratio shows us how much of our assets have been consumed. Based on MMAH our assets fall into the category as “relatively old”.	59%	33%	59%

LEVERAGE RATIOS

Ratio	Description	2022	Benchmark	5-Year Average
Long-term debt (LTD) as a % of asset acquisition.	This ratio shows us how much of our 2022 additions to capital were financed through the use of long-term debt. In 2022 we did not utilize debt for capital additions. Our 5 year average of 18% indicates that we have a strong ability to use current funds on hand for the rate of our capital acquisitions.	0%	23%	18%
Debt to Asset	This shows how much of our total assets are owned by creditors.	15%	16%	N/A

REVENUE RATIOS

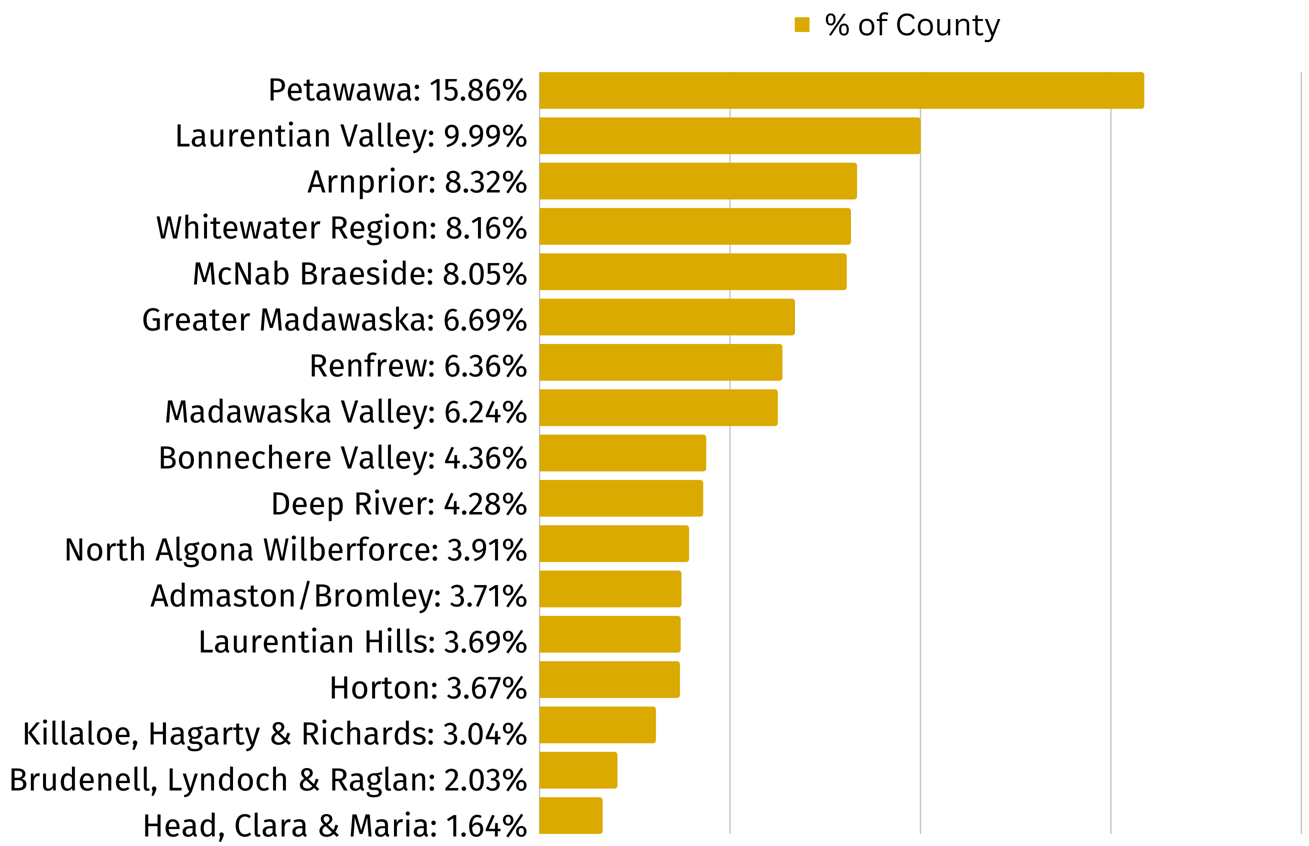
Ratio	Description	2022	Benchmark	5-Year Average
Reliance on Property Taxes as a % of total revenue.	This ratio outlines how reliant on property taxes a municipality is. A high ratio indicates that a municipality does not generate revenue from other sources. Laurentian Valley is slightly above the industry benchmark as we don't have the diversity in our revenue streams as other urban municipalities, however this has stayed consistent in the past 5 years indicating that our revenue streams are stable.	46%	43%	46%
Reliance on Government Transfers as a % of revenue.	This ratio outlines how reliant we are on the Federal and Provincial governments for our revenue. We are slightly below the industry benchmark but have trended on the industry benchmark in the past 5 years. This will fluctuate year to year based on how successful we are at obtaining provincial and federal grants.	17%	19%	19%

The above ratios should not be analyzed in and of themselves as together along with non-financial information they tell a story. In analyzing 2022, we are in a strong cash position compared to our municipal counterparts mainly due to the efforts in collection of receivables. This has led to our strong position as it relates to the use of debt, however we are behind our municipal counterparts in terms of the age of our assets. We will look to utilize an updated Asset Management Plan and strong Long-Term Financial Plan in future budgets to ensure we do not fall behind in our asset replacement.

Property Taxes

In 2022 and among lower-tier municipalities, the Township had the second most property assessment accounting for 10% of the County total. Over the past five years our share has grown 0.75%, which ranks 4th behind Horton, Admaston/Bromley and Arnprior. This indicates that we are doing well growing our assessment base relative to our neighbours. A stable growing assessment base is important as it alleviates the property tax burden from existing rate payers. A rapidly growing rate may put pressure on the Township to increase service level while a stagnant growth rate puts pressure on the existing assessment base to cover inflationary pressures.

The below chart outlines the % of County of Renfrew Assessment among lower-tier municipalities.

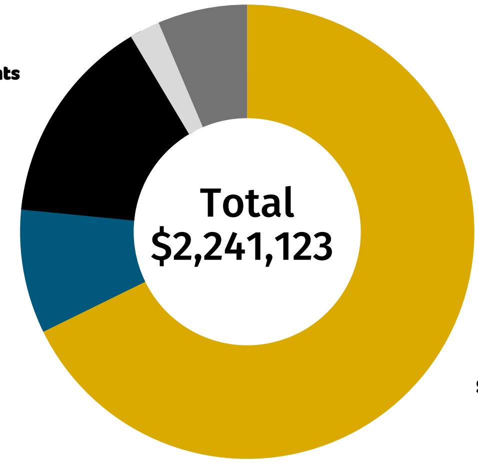


As it relates to the residential property tax rate, Laurentian Valley had the 4th lowest property tax rate among lower-tier municipalities. This is a reflection of the Township's ability to grow its assessment base and provide services at reasonable costs.

2022 Capital Summary

The Township has Tangible Capital Assets (TCAs) with an historical cost of $67,848,986 and a current net book value (historical cost less accumulated amortization) of $27,769,120. Although the net book value is not a direct reflection of the remaining useful life of an asset for practical purposes, it does correlate to the age of the assets. Typically, the older an asset, the more maintenance will need to be allocated to keep the asset operational. Our assets are roughly 60% through their estimated life thus it can be expected that in the near future maintenance costs will increase, unless assets are replaced. The Township will be updating our 2013 Asset Management Plan to guide decision making for asset replacement.

In 2023, we invested $2,241,123 into our capital asset program. The acquisitions or betterments are as follows:



Equipment

FMW Budgeting Software	$21,418
Cloud Permit	$12,032
Traffic Counters	$15,289
	Total = $48,740

Land Improvements

Stafford Rink Boards	$163,942
Pleasant View Park	$66,259
LV Trail Lighting	$103,253
	Total = $333,554

Roads

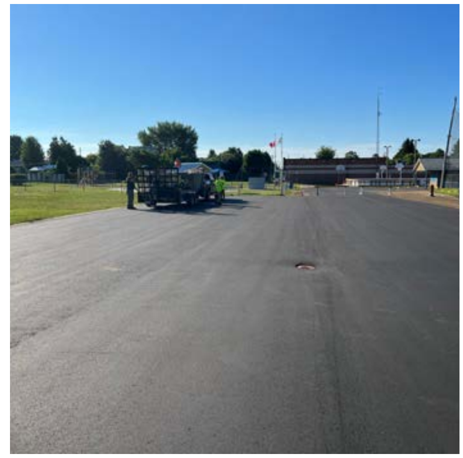
Heritage Place	$105,859
Old Mill Road	$65,430
Ridge Drive	$121,279
Witt Road	$570,466
Sandy Beach Road	$589,569
Jim Sheedy Way	$65,513
	Total = $1,518,117

Vehicle

Backhoe	$197,702
	Total = $197,702

Share of Joint Boards

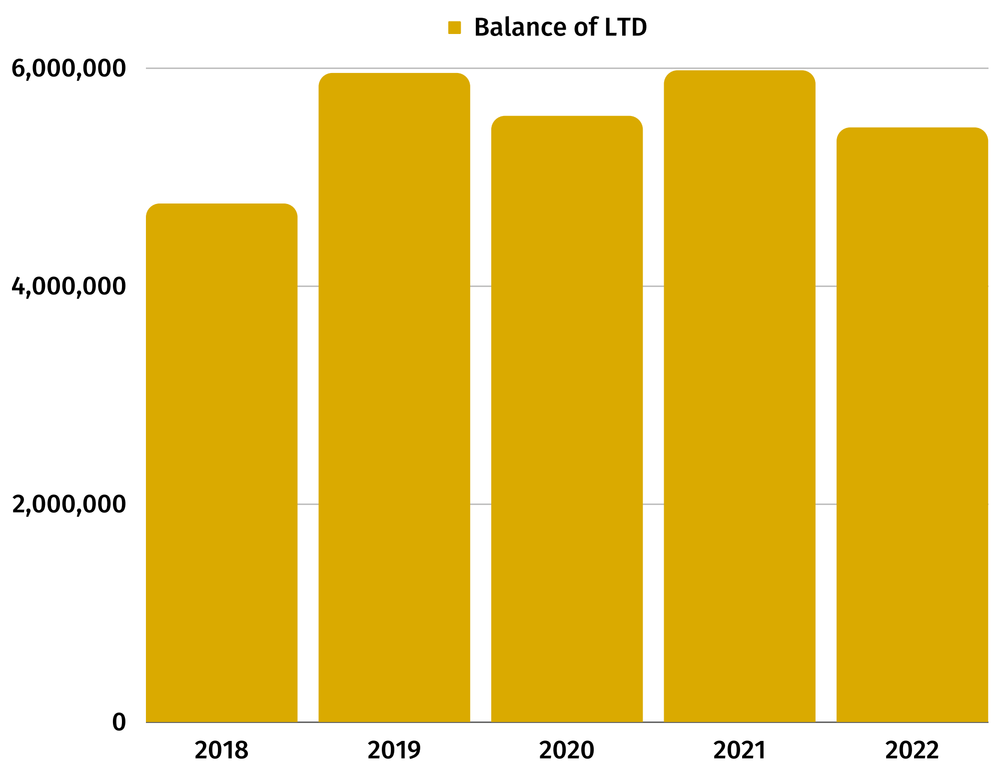
Airport	$103,484
OVWRC	$39,527
	Total = $143,011



Capital projects and investments

Debt

At 2022-year end we have seven active debentures with a balance of $5,453,161 outstanding. We did not add any new debt in 2022 while two debentures expired. The next debenture to expire will be in 2025 and two additional debentures will expire in 2026. The below graph outlines how the balance of the Township's long-term debt (LTD) has fluctuated since 2018.



In 2023 the Township will make payments on existing debt in the amount of $581,314. The estimated Annual Debt Repayment Limit (ARL) as prescribed by the Ministry of Municipal Affairs and Housing is $1,856,824, thus we have roughly $1.2 million in debt repayment room. Based on a 5% interest and a twenty year debenture the estimated cost of a project that could be undertaken via debt is $15 million.

2022 Reserve & Reserve Fund Balances

At 2022 year-end the Township's reserve and reserve fund balances increased $69,067 from year-end 2021. This brings our internally restricted reserves balance to $6,960,872 and our reserve fund balance to $582,571. The breakdown is as follows:

Current	
Working capital	450,306.28
Election	8,800.00
Fire Services	545,008.26
Emergency Measures	72,655.52
Capital reinvestment	349,262.61
Landfill	400,483.00
Sewer	1,251,702.89
Street Lighting	23,634.74
Levy Stabilization	264,501.16
Rec Board - Stafford	60,000.00
Vehicle and equipment	342,102.56
Water-Stafford	586,995.66
CIP	42,274.72
Municipal Drains	2,132.50
Planning	45,000.00
Airport	145,911
Total Reserves	**4,590,771**
Capital	
Fixed assets	286,778.37
Road Construction-Alice & Fraser	0.00
Municipal Partnership Fund	0.00
OVWMB	2,083,322.00
Total Capital Reserves	**2,370,100**
Reserve Funds	
Development charges	71,896
Gas tas funding	501,918
Community infrastructure fund	8,757
Total Reserve Funds	**582,571**
Total	**7,543,442**

A Brief Look Forward

As we progress through 2023 it is important to note any highlights that may affect the 2023 financial statements.

Asset Retirement Obligations (PS 3280)

Beginning with the December 31, 2023, financial statements we will need to recognize any asset retirement obligations (AROs) in our financial statements. An analysis will need to be done to determine if any Township owned assets fall under this standard. Common examples are buildings with asbestos, new landfills, leases, underground fuel storage tanks, sewage treatment facilities and water treatment plants. The financial statement treatment of any AROs will be an increase in the asset with a corresponding increase in liabilities (like the provision for post closure landfill costs) of the retirement obligation. Each year there will be amortization of the increase in the asset as well as an accretion expense charged to increase the liability.

Asset Management Plan (O.Reg. 588/17)

The Township will be working towards updating the Asset Management Plan (AMP) to meet legislative requirements as of July 1, 2022. This iteration will cover core assets (roads, culverts, water, wastewater & stormwater management systems) and will identify levels of service and the cost of maintaining those levels of service. The Township will work towards updating the AMP for the July 1, 2025 deadline for a plan that covers all assets.

Changes to Ontario Community Infrastructure Fund (OCIF) Formula

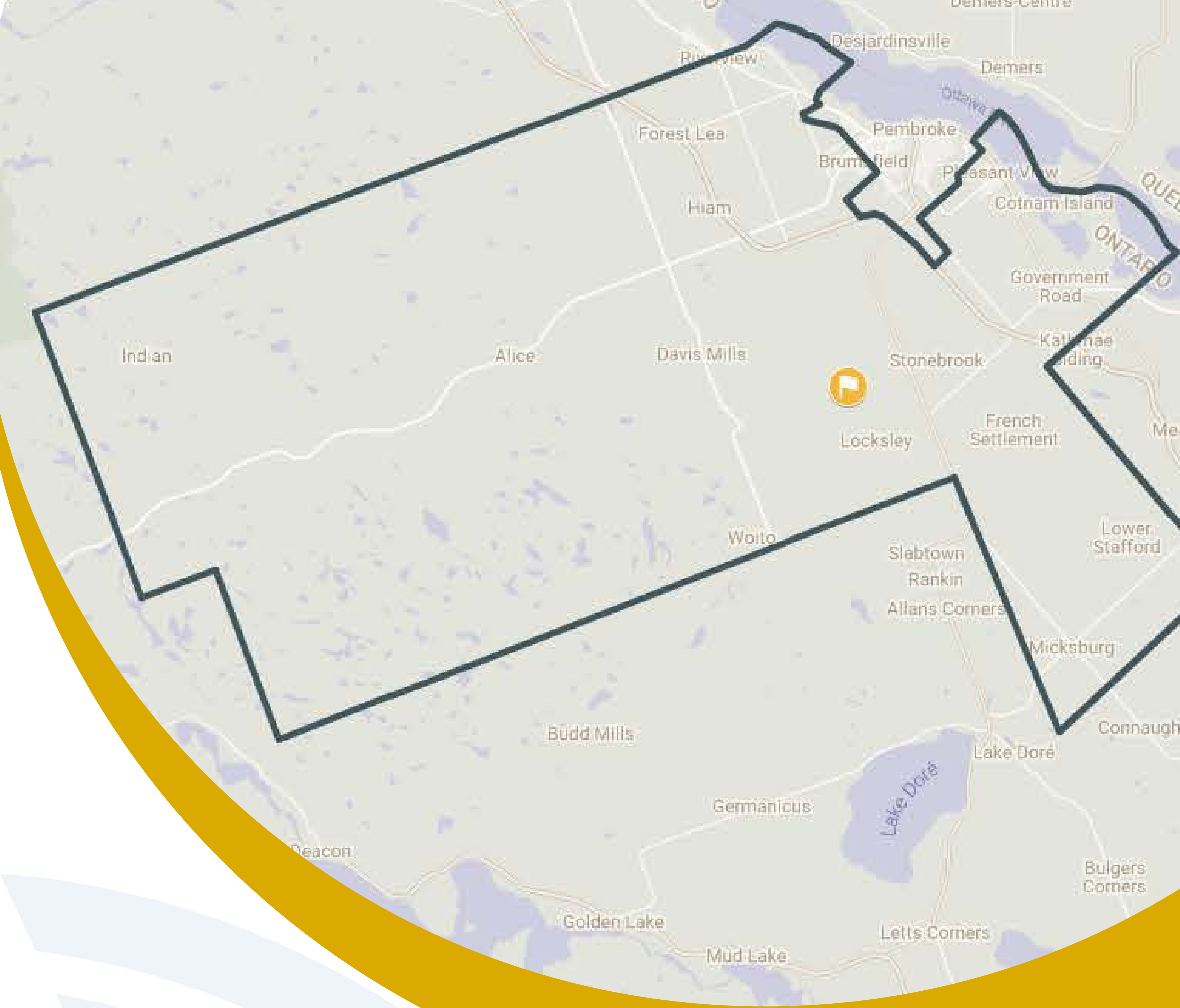
Beginning in 2023 OCIF allocations will be calculated based on estimates of Current Replacement Values (CRVs) which is a change from the closing cost balances that were derived from the Annual Financial Information Return (FIR). In transitioning methods the Province of Ontario has ensured that every municipality's 2023 allocation will fall within +/- 15% of 2022's allocation.

Changes to Development Charges & Planning Fees (More Homes Built Faster Act – Bill 23 & More Homes For Everyone Act – Bill 109)

There are many changes for municipalities outlined in the More Homes Built Faster Act, but specifically for Development Charges as the Act proposes to exempt developers who build affordable, inclusionary zoning and select attainable housing units from paying development charges and parkland dedication fees. The bill also includes several additional changes including reductions in costs associated with rental residential construction. Bill 109 – More Homes for Everyone Act poses the threat of lost planning fees if certain timelines are not met. The impact of the above legislation changes on the Township are unknown at this time but remains a concern of management.

Strategic Plan

The Township is currently undergoing a strategic plan which will help guide key financial decisions for 2024-2028.



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