

You Belong *Here!*



Municipality of the District of Guysborough



# Financial Guidance Strategy 2023-2028

*Our Home, Our Future*

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## **Message from the Chief Administrative Officer & Director of Finance**

The 2023-2028 Strategic Plan focuses on 5 strategic goals: People, Wellness, Prosperity, Infrastructure, and the Environment. All Goals combined with 19 main objectives, and more than 90 sub-objectives, all require MODG to be in a sound fiscal position. This Financial Guidance Strategy is about doing just that!

Prior to the construction of a large-scale gas plant (Sable) in Goldboro, Guysborough County in 1998/1999, the Municipality was primarily dependent on revenue from the residential tax rate, with limited commercial tax revenue. The new gas plant and associated pipelines dramatically increased commercial tax revenue for the period from 2000 to 2019, until the gas plant operations ceased and the plant was demolished in 2019/2020. With the assistance of commercial tax revenue during this time frame, the Municipality made strategic investments in capital projects, in addition to targeted financial investments, such as: a multi-regional solid waste management facility; large- and small-scale wind farms; multiple industrial parks, etc.

In the last number of years, the Municipality has taken some substantial steps to 'de-risk' the Municipality by selling some non-core facilities, such as: the Canso Electric Utility; Milford Haven and Seaside Manor nursing homes; and the Guysborough Waste Management Facility. The sale of the Waste Management Facility, in particular, had a significant impact on revenues from landfill tip fees, but the prudent and necessary investment of funds from the sale, and income, from a long-term waste benefits agreement will offset lost revenues and remove the future liabilities of operating a solid waste management facility.

As we enter 2023, the Municipality is in a very strong financial position, but it is critical for Council and Administrative Staff to understand that our Financial Investment Portfolio and initial capital must be preserved, enhanced and grown, to protect the future financial stability of our Municipality and allow current services and programs to be maintained without significant increases to tax rates. This long-term financial planning strategy is intended to be a financial lens to ensure the Municipality of the District of Guysborough remains financially sustainable, and is in a position to manage and mitigate risks impacting our fiscal health. This strategy will guide decision making and allow the Municipality to deliver best value to the taxpayers today, and into the future.

Sincerely,

Barry Carroll  
Chief Administrative Officer

Danita Imlay  
Director of Finance

# 1. Introduction and Background

The Municipality of the District of Guysborough was incorporated in 1879, and covers a geographical area of 2,117 square kilometres in eastern Nova Scotia. For the most part, the Municipality is very sparsely populated with, on average, only 2.2 residents per square kilometre. The median age in MODG, based on the 2021 Census, was 58.4 years compared to 45.6 years for the province, which has a direct impact on population decline. The recent pandemic resulted in some marginal growth in population as families and individuals moved to our Municipality, primarily from across Canada, to take advantage of the favourable rural circumstances. The last census taken in 2021, reported a population of 4,585 in the Municipality. We would anticipate that with the losses and gains since that time, that number would be reflective of today's population. The Municipality has two larger communities: Guysborough (seat of municipal government); and Canso (former Town dissolved in 2012); and 83 smaller communities within the geographic area.

Whereas, the Municipality has more than 400 kilometres of coastline, fishing is the most significant industry/employer in the Municipality, with wharves and other fishery related facilities in numerous small communities. Forestry and farming were significant employers in this Municipality in the past, but the operations that remain active use mechanized equipment to replace many workers, therefore resulting in limited employment.

In 1998/1999 a large scale gas plant and associated pipelines was constructed in Goldboro (within this Municipality) resulting in a dramatic change in the tax base for the Municipality as well as increased employment opportunities during and after construction. Prior to the opening of the Sable Gas Plant in 2000, the majority of the tax revenue came from the residential tax rate, but after the Sable Gas Plant and associated pipelines were fully implemented on the tax rolls, the commercial tax rate began providing the majority of the tax revenue allowing residential rates to be reduced. Unfortunately, the Sable Gas Plant closed in 2019 resulting in a significant loss of commercial tax revenue. Fortunately, the Municipality had invested in the Guysborough Waste Management Facility (a multi-regional facility serving 16 municipalities), the Sable Wind Farm (13.8 MW), and industrial parks in Goldboro, Black Point and Melford. Revenues from these investments helped to offset the loss of commercial taxes related to the gas plant and pipelines.

In 2012 the Town of Canso dissolved, resulting in Canso becoming an additional community in the Municipality of the District of Guysborough. All infrastructure of the former town transferred to the Municipality including, but not limited to: sewer and water systems; electric utility; nursing home; etc. Following the transfer of the former town, the Municipality commenced an informal review of the benefits versus liabilities of operating non-core services, such as: the Canso Electric Utility; the Seaside Manor (15 bed nursing home in Canso); the Milford Haven Home for Special Care (50 bed nursing home in Guysborough); and the Guysborough Waste Management Facility (multi-regions 1 & 2). After extensive reviews of each of the non-core services/facilities, the Canso Electric Utility was sold to Nova Scotia Power Inc., the Seaside Manor and Milford Haven nursing homes were sold to GEM Health Care Group, and the

Guysborough Waste Management Facility was recently sold to GFL Environmental Inc. The sale of the electric utility and nursing homes were carried out primarily to relieve the Municipality of liabilities associated with the operation of these non-core municipal services at out dated facilities. The sale of the waste facility also reduced liability for the Municipality; however, the sale of this facility also resulted in a significant loss of revenue that had offset/reduced tax rates for many years. Therefore, it is critical that the revenue from the purchase sale of the waste facility must be invested to provide annual interest income to offset lost revenue that the waste facility had provided in the past.

This Financial Guidance Strategy must provide a consistent lens to ensure the preservation of the current Investment Fund and provide guidance for specific policies that will protect future financial sustainability.

## 2. Long-Term Financial Guidance Strategy

### *Why is Long-Term Financial Planning Important?*

The financial condition of a municipality is a critical factor that must be clearly understood by Council and Senior Staff in order for the Municipality to operate in an effective, efficient and sustainable manner. This will ensure that municipal services are available to communities where circumstances warrant particular services. The financial condition of a municipality can be assessed based on the following criteria:

- The stability of revenue sources versus the operational needs and long-term obligations;
- The capacity to respond to financial uncertainty over the short, medium and long-term;
- The effectiveness of the policies and procedures;
- The ability to provide the range and quality of services expected by the communities;
- Adequate funding sources to meet the requirements for repairs or replacements identified in the Asset Management Plan;
- The appropriate level of reserves to address liabilities or opportunities that may arise related to municipal infrastructure, or economic developments;
- Have a taxation strategy that provides stability, promotes growth and is equitable for all in the communities;
- Promote a progressive tax policy strategy versus a regressive tax policy strategy;
- Ensure the municipality has a strategic process which includes insights and information required to make the necessary choices to maintain financial sustainability and a healthy 'balance sheet' and at the same time provide the appropriate municipal services and infrastructure;
- Return on investment at target rate.

### **3. Purpose and Outcome**

#### **PURPOSE**

The Financial Guidance Strategy is a framework to guide the Municipality (Council and Administrative Staff) in their decision-making processes to ensure that this Municipality:

- understands and maintains the strategic financial investments which provide required revenue to maintain for, stable and equitable taxation for the Municipality;
- decisions on major expenditures are guided by criteria and principles that protect investments required to ensure revenues that stabilize taxation;
- protect financial and fiscal assets that are required to ensure the stability of the Municipality into the future;
- account for financial liabilities and vulnerabilities which will result from changing and challenging times; and,
- the ability to be financially flexible and stable to support operations and balanced capital investments in infrastructure and community.

#### **OUTCOME**

Strategic financial decisions that do not have a negative impact on the long-term financial health of the Municipality, and ensure strategic financial base lines are preserved to ensure future stability. A very key point is that decisions are based on a holistic, and integrated fiscal management approach, with an understanding of how and when decisions may impact future financial stability.

## 4. Guiding Principles

The following principles are intended to guide Council and Administrative Staff when making major decision that could impact the overall financial sustainability of the Municipality over the upcoming years.

- A. Need to understand the importance of maintaining strategic investments and preserving principal that currently provide revenue from interest. *(Interest revenue from financial investments allows the Municipality to provide adequate services and maintain a fair and stable tax rate.)*
- B. Necessity to maintain a very comprehensive, and cohesive, Investment Policy. *(Policy must provide specific direction and criteria for strategic investments and provide guidelines to ensure the intended investment growth and stability into the future. Policy must ensure maximum returns at a minimum risk in accordance with any legislation regarding public funds.)*
- C. Need to ensure a financially sustainable Asset Management Plan is adopted and maintained. *(A new Asset Management Plan is currently being finalized for the Municipality and it will be necessary to ensure the required funding is available to sustain, or when appropriate, enhance assets.)*
- D. Imperative to maximize revenues from a variety of sources other than taxation. *(Maximize revenues from all possible sources, including but not limited to: investment interest; business interest/income; user fees; senior government programs/funding; service provision; land matters; etc.)*
- E. Need to ensure cost effective and efficient delivery of quality municipal programs and services. *(Regular reviews of the programs and services provided by the Municipality and continuously seek innovative approaches to find efficiencies and reduce cost while maintaining or enhancing the program or service, and at all times taking advantage of any and all senior government programs or services that may be advantageous. In particular, the Municipality must keep up-to-date with all policies and programs related to Green Energy and Green House Gas Emissions/Energy Efficiencies offered by senior governments.)*
- F. Require that tax rates, and user fees, are reflective of our rural environment. *(The Municipality of the District of Guysborough is extremely rural in geographic nature, therefore, it is either extremely expensive, or impossible, to provide many core municipal services in our outlying communities. It is necessary to be very strategic when investing in capital projects so the non-sustainable operating costs are not generated.)*



G. Recognizing that the Provincial Capped Assessment system protects the property owner to seeing taxes paid based on the CPI Index. Any tax rate increases by Council outside the capped system should only be done as a last resort, while any tax rate decreases should only be considered with new revenues generated from new large-scale developments. This promotes a progressive taxation system versus a regressive taxation system.

## **5. Related Policies & Purpose of Policy**

### **A. INVESTMENT POLICY (1-2)**

***Purpose:***

The purpose of this investment policy is to ensure integrity of the investment management process for Municipality of the District of Guysborough (the Municipality) while investing public funds in a manner that maximizes investment return and minimizes investment risk while meeting the daily cash requirements of the Municipality and conforming to legislation governing the investment of public funds. The primary focus of this investment policy is to maximize investment income at minimal risk to capital. Accordingly, emphasis on investments is placed on security first, liquidity second and overall yields third.

### **B. PROCUREMENT POLICY (H-9)**

***Purpose:***

The purpose of this Procurement Policy is to provide guidance to all employees of the Municipality of the District of Guysborough and members of Council concerning procurement activities and to ensure that the principles of public procurement set forth in the Public Procurement Act, S.N.S. 2011, c. 12 ("Public Procurement Act") are followed.

### **C. ASSET MANAGEMENT POLICY (H-26)**

***Purpose:***

MODG is committed to improving the long-term sustainability of our infrastructure. This asset management policy provides MODG with a transparent and consistent framework for identifying priorities, managing risks and meeting its service delivery goals which considers strategic plans, budgets, service levels and risks.

### **D. GRANT POLICIES (G-12)**

***Purpose:***

The Municipality of the District of Guysborough, in an effort to recognize the importance and value of local non-profit organizations to our communities, is committed to consider, within its financial capacity, reasonable financial support to these groups within the Municipality. To this end, each year the Municipality of Guysborough offers various grant programs to local non-profit and community organizations in order to encourage recreation opportunities, enhance the community and improve the quality and quantity of community recreation programming.

## **6. Implementation, Integration & Monitoring of Strategy**

### **A. IMPLEMENTATION**

The Municipality of the District of Guysborough will carry out a comprehensive review of the 'Financial Guidance Strategy for the Municipality of the District of Guysborough 2023-2028' with Council and Administrative Staff prior to adoption by motion of Council.

### **B. INTEGRATION**

Following the adoption of the Long-Term Financial Guidance Strategy by motion of Council, all: funding requests; capital expenditures; major repairs; investments; or any other type of expenditures exceeding \$50,000 shall be reviewed by administrative staff to determine adherence to the Guiding Principles of this strategy, and Council shall be advised of any conflict with the Guiding Principles prior to the approval of that expenditure or investment.

### **C. MONITORING**

This Financial Guidance Strategy is intended to be a living document, being monitored by Council and Administrative Staff on an on-going basis with changes recommended to Council on an as required basis. A formal detailed review of the strategy shall be carried out by Administrative Staff at least every five years with a formal recommendation being submitted to Council following the review, to ensure the strategy remains current.