

Integrated Planning Workshop



First Nations
**FINANCIAL
MANAGEMENT
BOARD**

**CONSEIL
DE GESTION
FINANCIÈRE** des
Premières Nations

Multi-year financial planning



What is a Multi-Year Financial Plan?

- Budget for not just the next twelve months but for the four years after that too
- The 'legs' to the Nation's strategic plan i.e. the 'how to'

Why Should a Nation Care About Multi-Year Financial Planning?

- Planning for the 7th generation – Nations serve current and future members
- Buildings and equipment today (water treatment, roads, houses, schools) serve both today's and tomorrow's generations
- Multi-year financial planning is so important to secure the future health and wellness of a Nation




Multi-Year Financial Planning

Raise your hand if your Nation has a strategic plan

Raise your hand if your Nation has a multi-year financial plan



What is Integrated Planning?

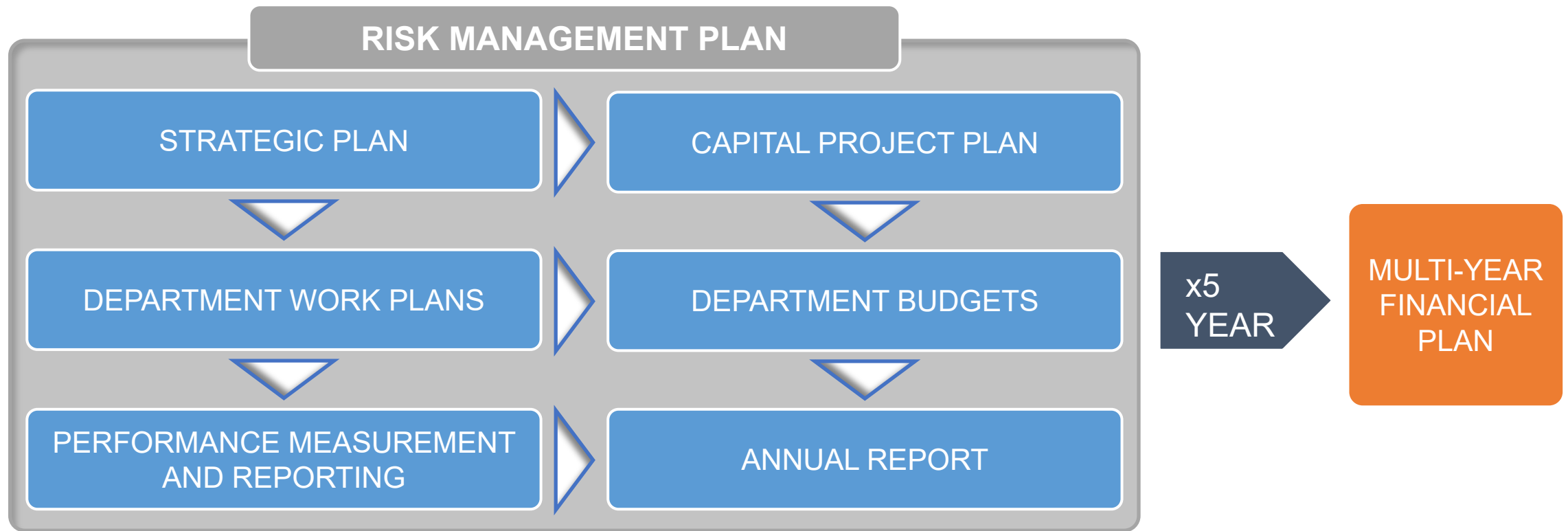


**A framework for establishing a
First Nation's priorities and linking
them to operations and spending**

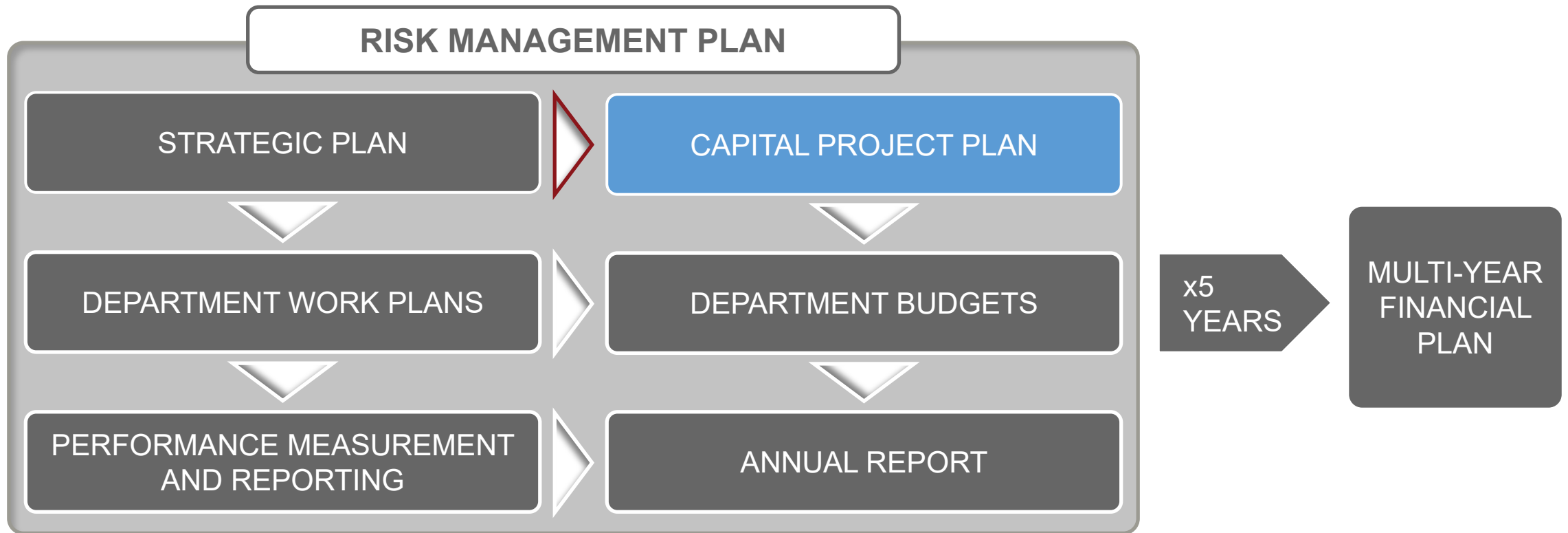
Why Do Integrated Planning?

- ✓ Ensure sufficient resources to deliver services
- ✓ Create cost effective service delivery
- ✓ Efficient and complete budgeting
- ✓ Build community trust and support
- ✓ Meet FMS Certification requirements

WHAT DOES INTEGRATED PLANNING LOOK LIKE?



INTEGRATION: STRATEGIC PLAN — CAPITAL PROJECT PLAN



Capital Project Plans and Life Cycle Planning

Why does my Nation need life cycle planning?

- Assets don't last forever and need to be replaced
- Planning for the replacement of these assets is called 'life cycle planning'
- Capital projects flow from the strategic plan

Do I need a capital asset reserve fund?

If a Nation doesn't PLAN to incur these costs ahead of time, what is the likelihood that there will be sufficient funds available when the time comes to build/renovate/replace major capital assets?



Capital Project Plan

Integrated planning requires limits or criteria that trigger the use of a formal capital project planning process (business plan, financing proposal)

- Stated in terms of money limits, funding sources, project types or community impact

Capital expenditure approval limits must be in place

Capital project plans should include all info necessary to make decisions:

- Financial viability,
- Project operating requirements,
- Risk assessments



INTEGRATION: STRATEGIC PLAN – DEPARTMENT WORK PLANS



Departmental Work Plans

Pathway to achieving the community mission and vision

Every department should have one!

Should be created by the Department Manager

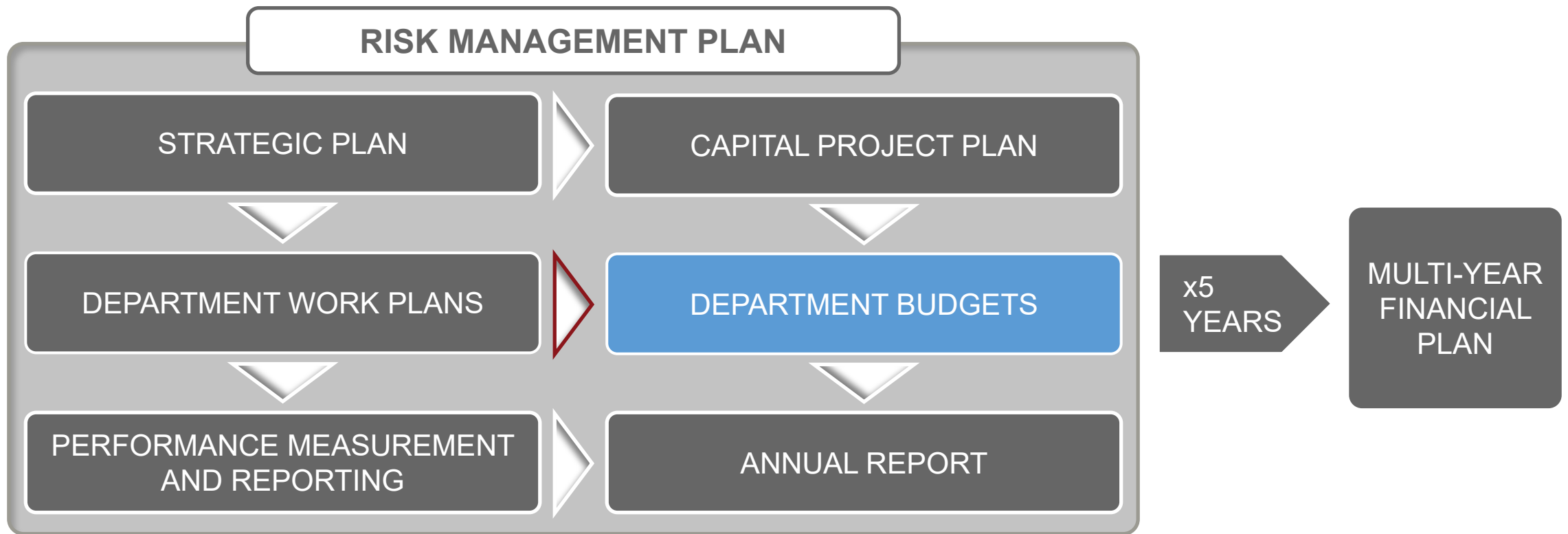
Should contain

- goals/objectives that are **ALIGNED** with the strategic plan
- key activities to be undertaken by Department Manager and staff

Should guide decisions of Department Manager and staff



INTEGRATION: DEPARTMENT WORK PLANS – DEPARTMENT BUDGETS



Departmental Budgets

How are department budgets typically created?

Traditional budgeting
(incremental)

How much do I have
(SALY)

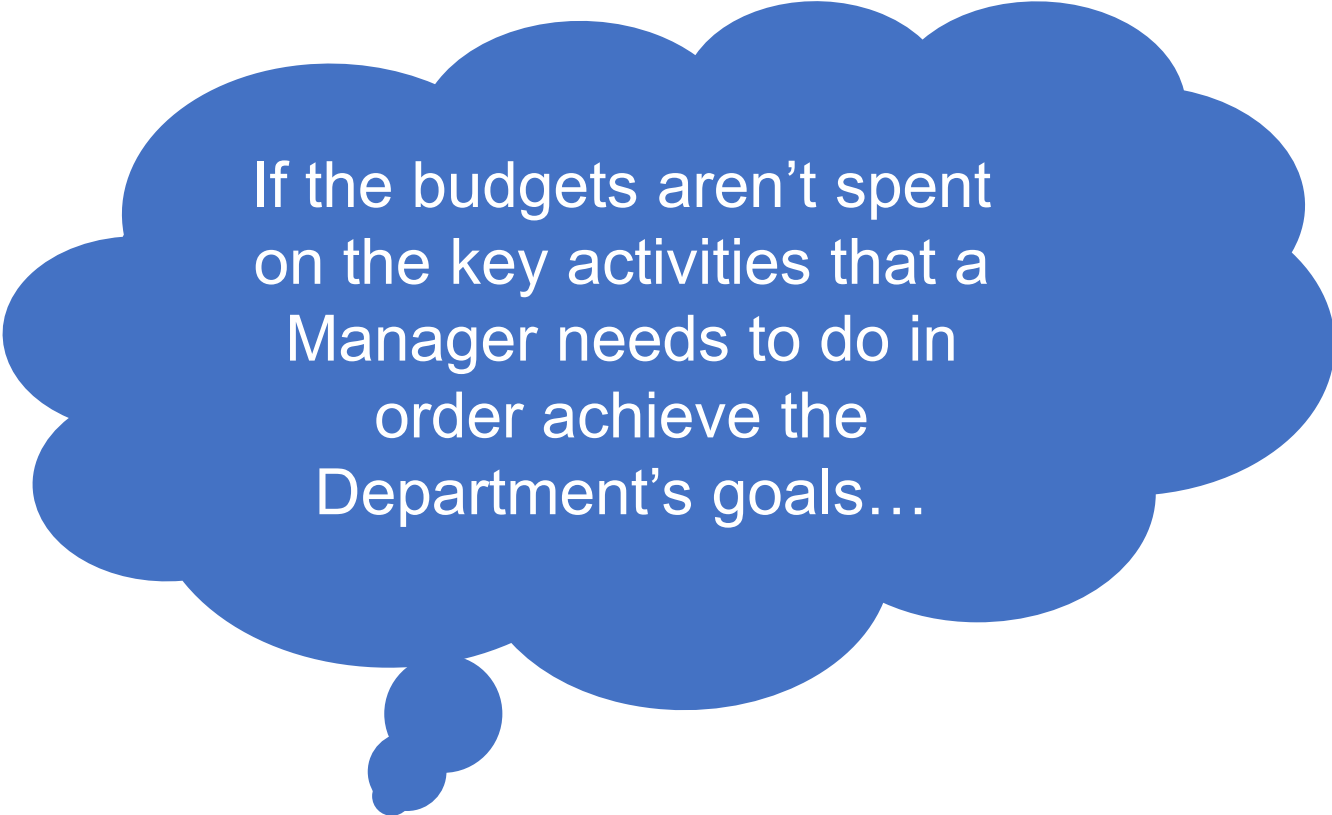
Wish list
budgeting

Does Manager and/or
Finance create the
budget?



What method is being
used?

Departmental Budgets



If the budgets aren't spent
on the key activities that a
Manager needs to do in
order achieve the
Department's goals...

How will a Nation ever
reach its vision?

What are Managers and staff
doing with their time?

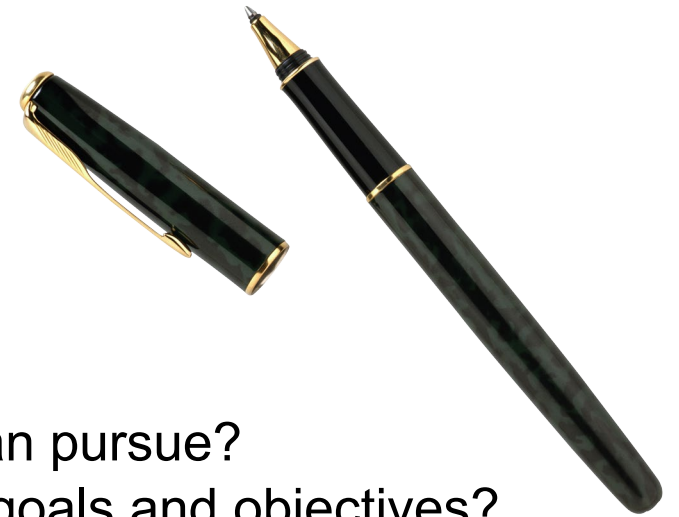
Where is the money going?
Who's benefiting?

Departmental Budgets

Managers need to develop a budget that reflects the goals and objectives of the department

Managers should look at the list of key activities in the Departmental Work Plan and ask themselves

- How much is it going to cost to carry out this activity?
- What supplies, resources, and staff will I need?
- Do I have enough money? Are there other sources of funds I can pursue?
- What are my fixed and/or recurring costs? Do they support my goals and objectives?
- Can I eliminate or reduce some costs, or even some activities, in order to free up cash for more strategic activities?
- **Can certain activities or projects be undertaken in Year 2, 3, 4 or 5 rather than now?**



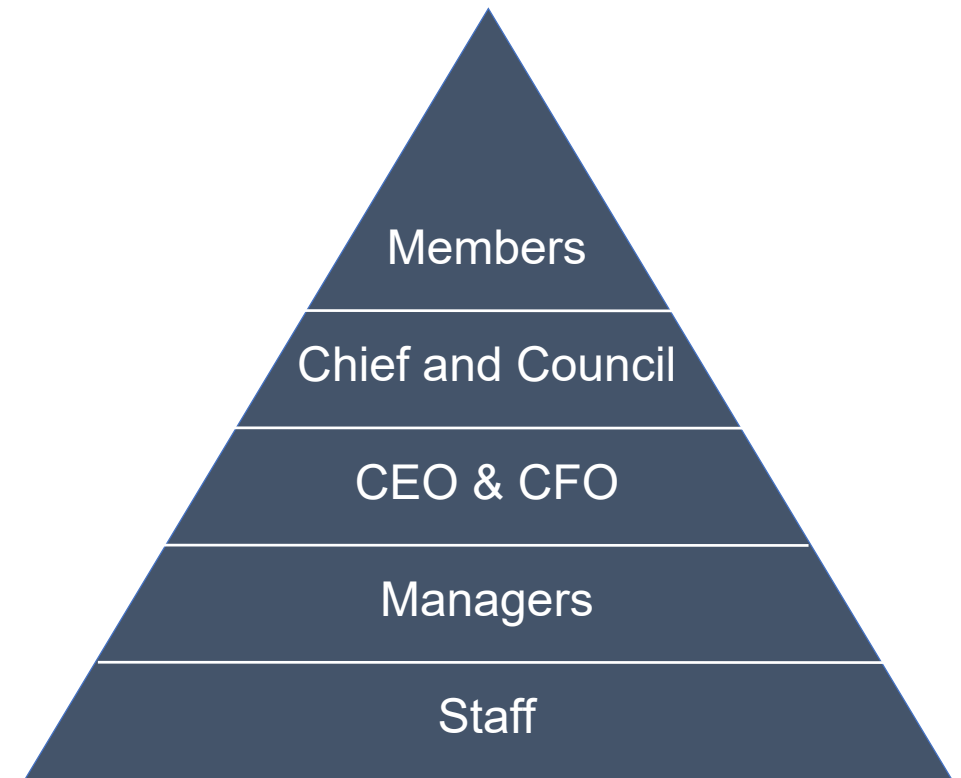
Departmental Budgets

?

How can you get your Managers to take ownership of department budgets?

?

How can you get Managers to create strategic, complete and reasonable budgets?



Departmental Budgets – Capital Project Plans

Capital project plans form the departmental work plan for infrastructure

Managers of all departments need to consider capital plans though!

New capital assets often have associated operating costs that need to be budgeted for (i.e. training, maintenance, fuel, etc.)



TCA Life Cycle Planning



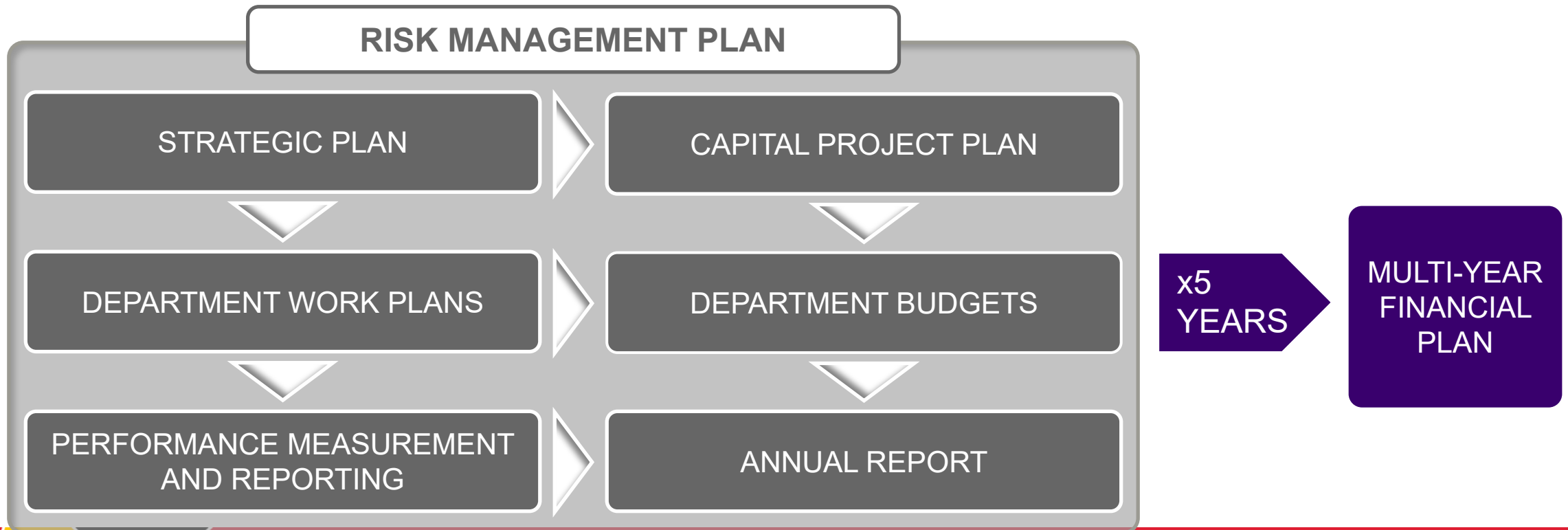
Not just for buildings and heavy equipment. Also includes smaller, every day assets that we all use – computers, office furniture, etc.

Often managers forget to budget for replacing these items

They don't seem like they are significant costs.... until they all need to be replaced at the same time!

A current and complete asset register that considers age and remaining useful life will help Managers become PROACTIVE instead of REACTIVE

INTEGRATION: DEPARTMENT BUDGETS – MULTI-YEAR FINANCIAL PLAN



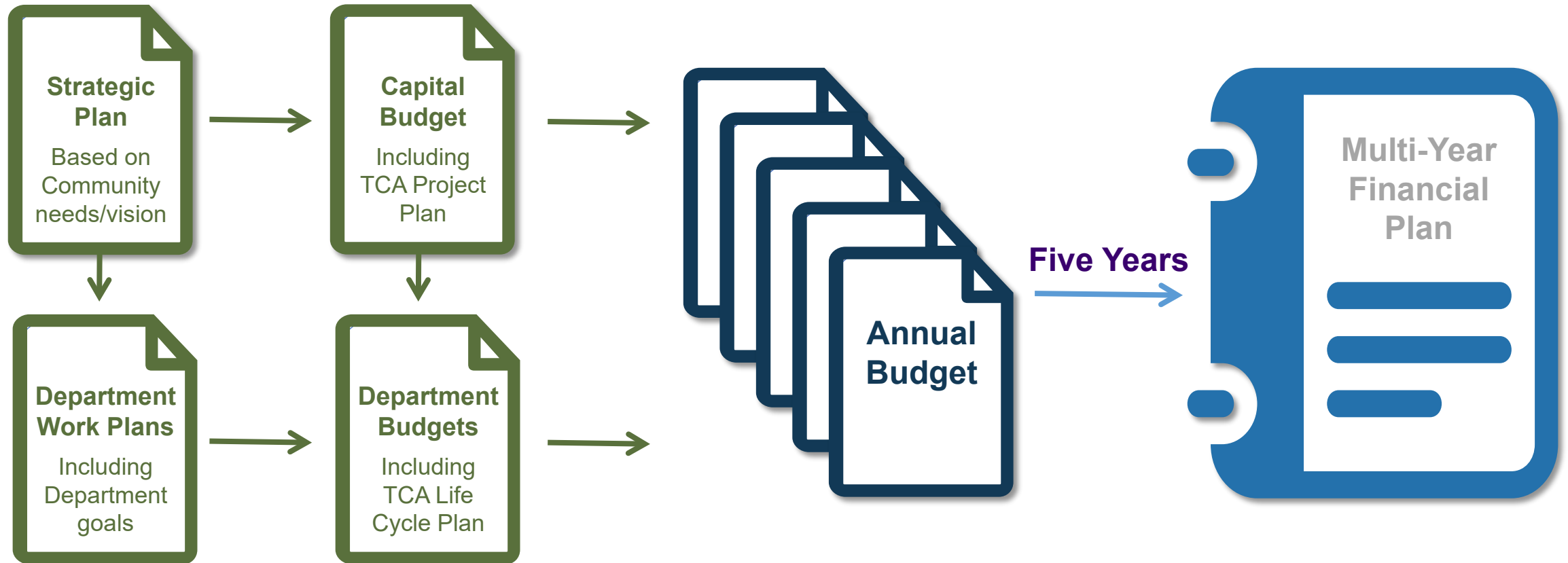
Multi-Year Financial Plan



- Strategic plan priorities are set every 5 years
- Capital Plan includes the construction or acquisition of capital assets during the next 20+ years
- Department work plans set out activities for the next 12 months based on the strategic plan
- Operating budgets are driven by departmental work plans



Multi-Year Financial Plan



Example– Multi-Year Financial Plan

Amazing First Nation has been under a boil water advisory for the last 7 years. It is looking into building a new water treatment facility.

Amazing First Nation has asked for quotes from several suppliers on what this capital project will cost. This is summarized on the next slide.

Example – Multi-Year Financial Plan

New Water Treatment Facility - Construction

CONSTRUCTION COSTS			Year	FIRST NATION PROJECT MANAGEMENT COSTS			Year
Mobilization	\$500,000		1	Engineering Design	\$1,000,000		1
Site Work	\$1,300,000		1	Disbursements	\$100,000		1,2
Water Treatment Plant	\$3,000,000		2	Professional Project Mngm	\$200,000		1,2
Water Storage	\$1,800,000		2	Project Coordination	\$200,000		1,2
Environmental Works	\$600,000		2	Subtotal Project Mngm	\$1,500,000		
Watermain	\$7,800,000		2				
Bonding & Insurance	\$200,000		1				
Subtotal Construction	\$15,200,000						
PROFESSIONAL SERVICES COSTS				TOTAL COSTS		\$19,370,000	1,2
Engineering Design	\$1,000,000		1				
Contract Admin	\$1,000,000		1,2				
Material Testing and Soils	\$70,000		1				
First Nation Admin	\$300,000		1,2				
Project Management	\$300,000		1,2				
Subtotal Professional Services	\$2,670,000						

Example – Multi-Year Financial Plan

CAPITAL DECISION PACKAGE										
Water Treatment Plant						Department: Capital				
						<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
Capital										
Costs		Construction				\$2,000,000	\$13,200,000			
		Professional Services				\$970,000	\$1,700,000			
		First Nation Project Mngt				\$1,250,000	\$250,000			
		Subtotal Capital Costs				\$4,220,000	\$15,150,000	\$0	\$0	\$0
Funding										
		Contribution funding				\$2,110,000	\$7,575,000			
		Settlement fund				\$50,000	\$50,000			
		Surplus								
		Debt								
		Subtotal Capital Funding				\$2,160,000	\$7,625,000	\$0	\$0	\$0
Cash Surplus (Deficit) from Capital Investment						(\$2,060,000)	(\$7,525,000)	\$0	\$0	\$0

Example – Multi-Year Financial Plan

OPERATING DECISION PACKAGE										
Water Treatment Plant						Department: Capital				
						Year 1	Year 2	Year 3	Year 4	Year 5
Additional Operating Requirements										
Expenses	Salaries & benefits							\$200,000	\$200,000	\$200,000
	Costs savings (bottled water)							(\$300,000)	(\$300,000)	(\$300,000)
	Materials							\$50,000	\$50,000	\$50,000
	Maintenance							\$100,000	\$100,000	\$100,000
	Subtotal Expenses					\$0	\$0	\$50,000	\$50,000	\$50,000
Revenues	Contribution funding							\$100,000	\$100,000	\$100,000
	Own source									
	Other									
	Subtotal Revenues					\$0	\$0	\$100,000	\$100,000	\$100,000
Cash Surplus (Deficit) from Operations						\$0	\$0	\$50,000	\$50,000	\$50,000

Example – Multi-Year Financial Plan

5 YEAR PROJECTION OF CASH REQUIREMENTS															
							2018		2019		2020		2021		2022
OPERATIONS															
REVENUE BY SOURCE AND SIGNIFICANT CATEGORY															
		Aboriginal Affairs and Northern Development Canada					2,000,000		2,060,000		2,121,800		2,185,454		2,251,018
		First Nations and Inuit Health Branch					320,000		329,600		339,488		349,673		360,163
		Provincial Government					185,000		190,550		196,267		202,154		208,219
		Property Taxes					60,000		61,800		63,654		65,564		67,531
		Interest Income					7,500		7,725		7,957		8,195		8,441
							2,572,500		2,649,675		2,729,165		2,811,040		2,895,371
EXPENSES BY PROGRAM AND SIGNIFICANT CATEGORY															
		Administration					(250,000)		(257,500)		(265,225)		(273,182)		(281,377)
		Chief and Council					(150,000)		(154,500)		(159,135)		(163,909)		(168,826)
		Education					(580,000)		(597,400)		(615,322)		(633,782)		(652,795)
		Elders					(150,000)		(154,500)		(159,135)		(163,909)		(168,826)
		Health and Wellness					(400,000)		(412,000)		(424,360)		(437,091)		(450,204)
		Membership					(50,000)		(51,500)		(53,045)		(54,636)		(56,275)
		Post Secondary Education					(350,000)		(360,500)		(371,315)		(382,454)		(393,928)
		Social Assistance					(430,000)		(442,900)		(456,187)		(469,873)		(483,969)
		Youth and Recreation					(200,000)		(206,000)		(212,180)		(218,545)		(225,102)
							(2,560,000)		(2,636,800)		(2,715,904)		(2,797,381)		(2,881,303)
CASH SURPLUS (DEFICIT) FROM OPERATIONS							12,500		12,875		13,261		13,659		14,069

Example – Multi-Year Financial Plan

5 YEAR PROJECTION OF CASH REQUIREMENTS																
								2018		2019		2020		2021		2022
GOVERNMENT BUSINESS ENTITIES																
PROJECTED DIVIDENDS BY COMMERCIAL ENTITY																
		FN Econonmic Development Corp.						70,000		72,100		74,263		76,491		78,786
		FN Property Management Ltd.						25,000		25,750		26,523		27,318		28,138
		FN Forestry Company						20,000		20,600		21,218		21,855		22,510
		FN Gravel Products Limited						10,000		10,300		10,609		10,927		11,255
CASH SURPLUS (DEFICIT) FROM GBE'S								125,000		128,750		132,613		136,591		140,689
CAPITAL INVESTMENT AND FUNDING																
PROJECTED CAPITAL ACQUISITIONS BY PROGRAM																
		Water treatment plant						4,220,000		15,150,000						
								4,220,000		15,150,000		-		-		-
PROJECTED CAPITAL FUNDING BY SOURCE																
		Settlement Fund						50,000		50,000						
		INAC						2,110,000		7,575,000						
		TCA Reserve														
								2,160,000		7,625,000		-		-		-
CASH SURPLUS (DEFICIT) FROM CAPITAL INVESTMENT								(2,060,000)		(7,525,000)		-		-		-

Example – Multi-Year Financial Plan

5 YEAR PROJECTION OF CASH REQUIREMENTS							2018	2019	2020	2021	2022
CASH FLOW FROM FINANCING											
ADDITIONAL DEBT							2,060,000	7,525,000			
DEBT PRINCIPAL REPAYMENT							(68,666)	(319,499)	(319,499)	(319,499)	(319,499)
CASH SURPLUS (DEFICIT) FROM FINANCING							1,991,334	7,205,501	(319,499)	(319,499)	(319,499)
TOTAL CASH SURPLUS (DEFICIT)							68,834	(177,874)	(173,625)	(169,249)	(164,742)
CASH AND CASH EQUIVALENTS											
GENERAL, unrestricted											
Opening Balance							605,921	674,755	496,881	323,256	154,007
Transfers In (Out)							-	-	-	-	-
Annual Cash Surplus (Deficit)							68,834	(177,874)	(173,625)	(169,249)	(164,742)
CASH AND CASH EQUIVALENTS, END OF YEAR							674,755	496,881	323,256	154,007	(10,735)
*Negative cash and cash equivalents at the end of the year indicate a need to identify additional financing or adjust spending											

Multi-Year Financial Plan – Key Takeaways

- Hard to put together a capital project decision package for Council if a multi-year financial plan has not been done
- Need to look at not just construction costs but ongoing operating costs too
- Need to think about impact of long-term debt – can be up to a 30-year repayment plan – need to have cash for that

CASE STUDY



Who does what and when?

Who Does What? And When?

Roles/Responsibilities of:

- Finance and Audit Committee
- Chief and Council
- Senior Manager (CEO)
- Senior Financial Officer (CFO)
- Department Heads
- Program Managers

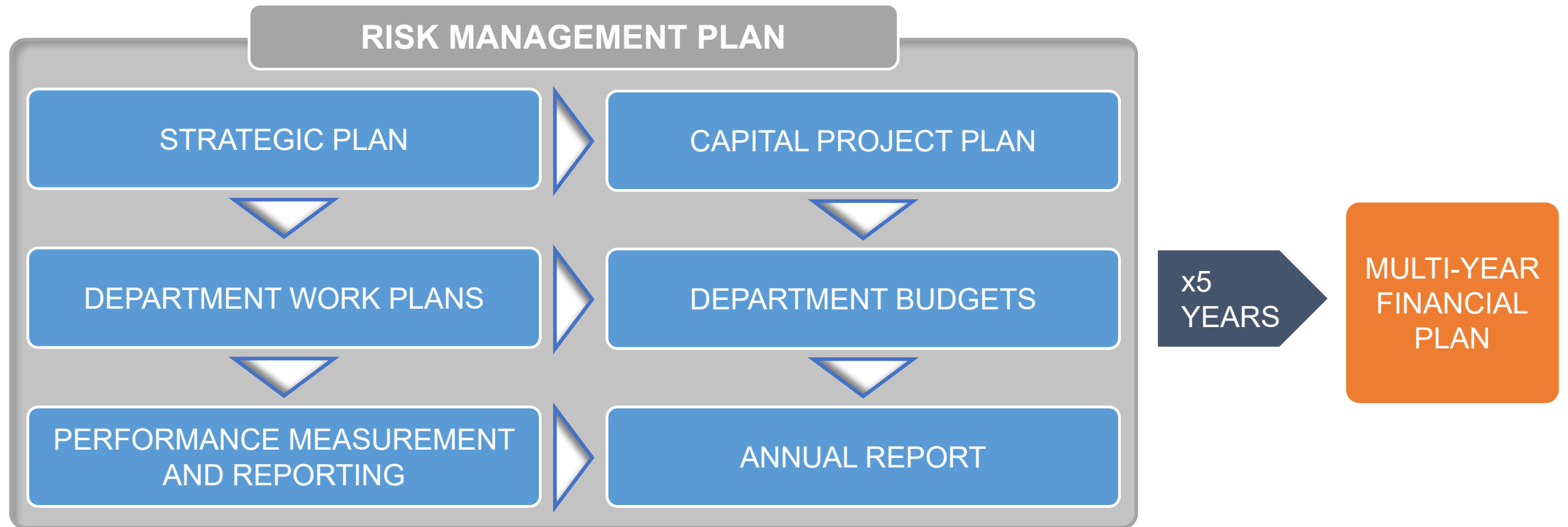


Membership Involvement

In order to build success membership must be involved, or informed of:

1. Planning and budgeting processes
2. Multi-year financial plan
3. Deficits and extraordinary expenditures
4. The incurrence of debt
5. Tangible capital asset projects (including borrowing to construct TCA projects)
6. Proposed amendments to the FAL

Recap



Key Points



You can't change one thing without changing another



You can't go it alone



Need the big picture – multi-year financial plan



Risks can be turned into opportunities

Keys to Success

Start with a
strong strategic
plan



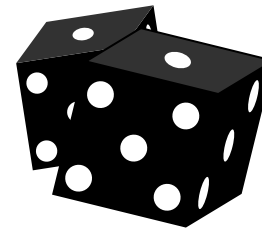
Tailor the
process to your
First Nation



Empower your
Managers



Manage
risk



Communicate
who does what
& when



QUESTIONS

