

# Integrated Planning Workshop

# 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 7<sup>th</sup> 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?

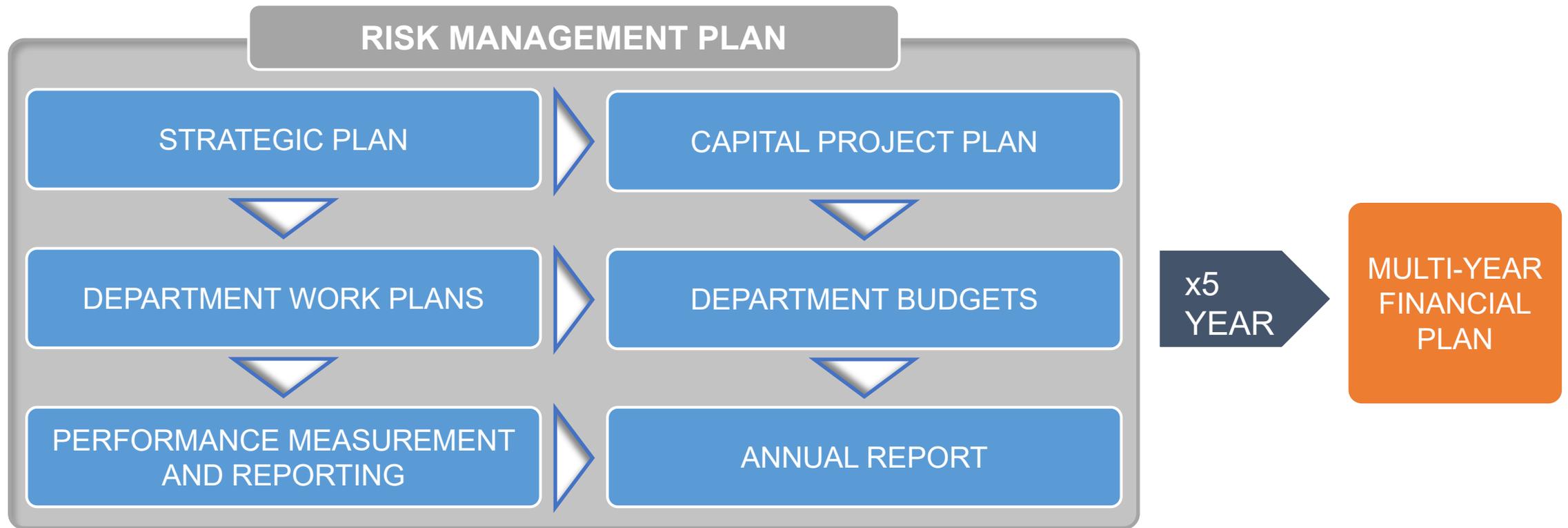


**A framework for establishing a  
First Nation's priorities and linking  
them to operations and spending**

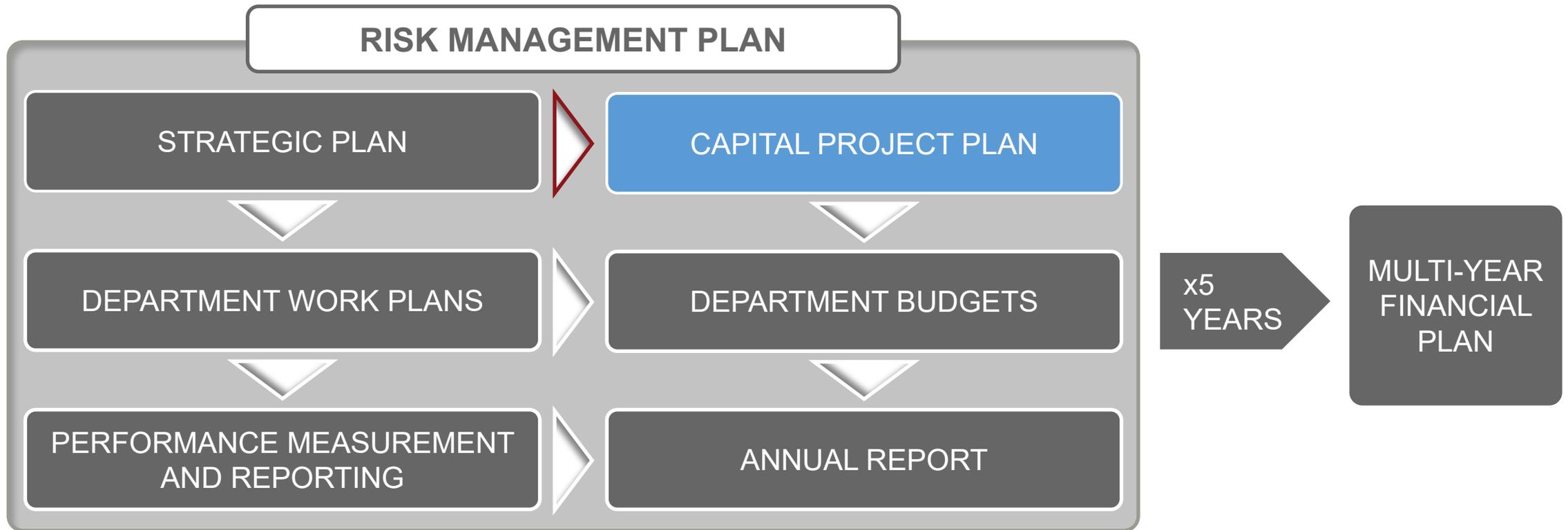
# Why Do Integrated Planning?

- ✓ 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

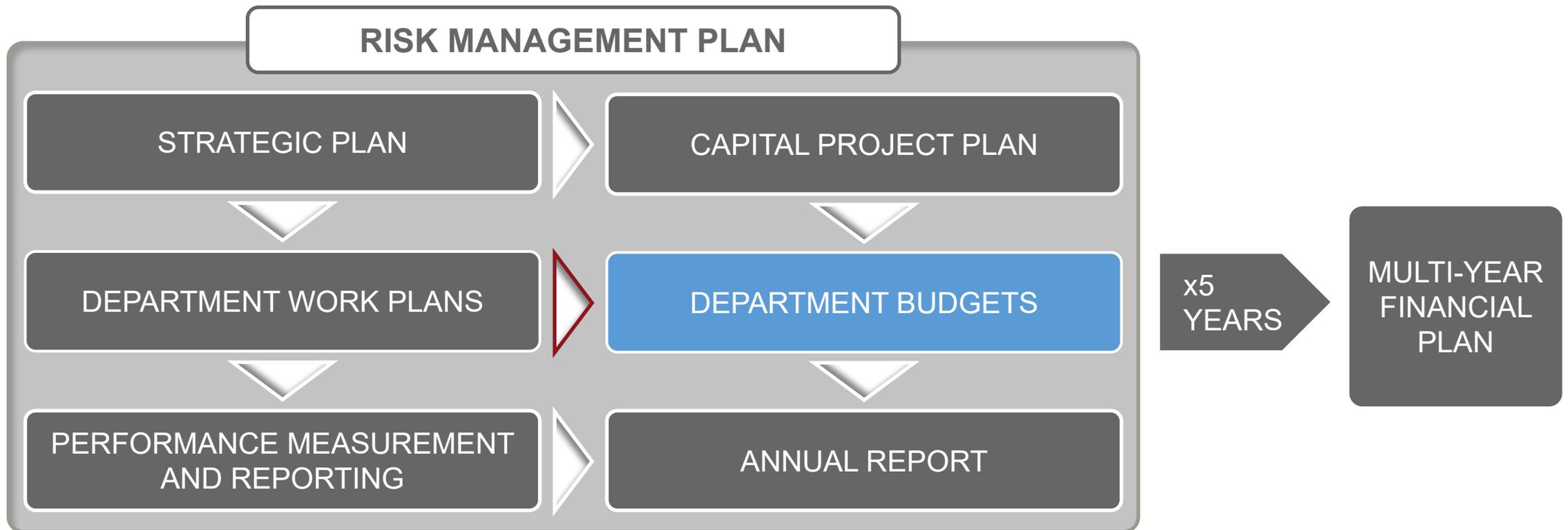
Should contain

- 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 to 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

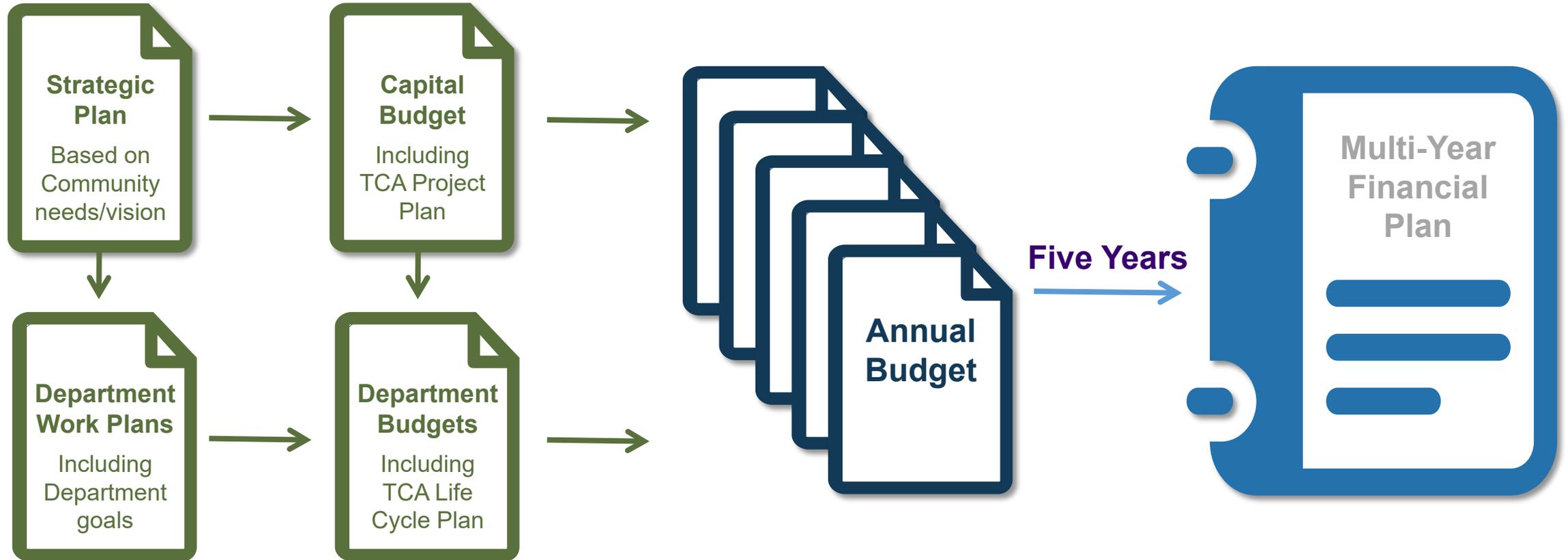


# Multi-Year Financial Plan

- 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

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

# Example – Multi-Year Financial Plan

OPERATING DECISION PACKAGE										
Water Treatment Plant						Department: Capital				
						Year 1	Year 2	Year 3	Year 4	Year 5
<b>Additional Operating Requirements</b>										
<b>Expenses</b>	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
	<b>Subtotal Expenses</b>					<b>\$0</b>	<b>\$0</b>	<b>\$50,000</b>	<b>\$50,000</b>	<b>\$50,000</b>
<b>Revenues</b>	Contribution funding							\$100,000	\$100,000	\$100,000
	Own source									
	Other									
	<b>Subtotal Revenues</b>					<b>\$0</b>	<b>\$0</b>	<b>\$100,000</b>	<b>\$100,000</b>	<b>\$100,000</b>
<b>Cash Surplus (Deficit) from Operations</b>						<b>\$0</b>	<b>\$0</b>	<b>\$50,000</b>	<b>\$50,000</b>	<b>\$50,000</b>

# Example – Multi-Year Financial Plan

5 YEAR PROJECTION OF CASH REQUIREMENTS						2018	2019	2020	2021	2022
<b>OPERATIONS</b>										
<b>REVENUE BY SOURCE AND SIGNIFICANT CATEGORY</b>										
	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
<b>EXPENSES BY PROGRAM AND SIGNIFICANT CATEGORY</b>										
	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)
<b>CASH SURPLUS (DEFICIT) FROM OPERATIONS</b>						<b>12,500</b>	<b>12,875</b>	<b>13,261</b>	<b>13,659</b>	<b>14,069</b>

# Example – Multi-Year Financial Plan

5 YEAR PROJECTION OF CASH REQUIREMENTS				2018	2019	2020	2021	2022
<b>GOVERNMENT BUSINESS ENTITIES</b>								
<b>PROJECTED DIVIDENDS BY COMMERCIAL ENTITY</b>								
	FN Economic 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
<b>CASH SURPLUS (DEFICIT) FROM GBE'S</b>				<b>125,000</b>	<b>128,750</b>	<b>132,613</b>	<b>136,591</b>	<b>140,689</b>
<b>CAPITAL INVESTMENT AND FUNDING</b>								
<b>PROJECTED CAPITAL ACQUISITIONS BY PROGRAM</b>								
	Water treatment plant			4,220,000	15,150,000			
				4,220,000	15,150,000	-	-	-
<b>PROJECTED CAPITAL FUNDING BY SOURCE</b>								
	Settlement Fund			50,000	50,000			
	INAC			2,110,000	7,575,000			
	TCA Reserve							
				2,160,000	7,625,000	-	-	-
<b>CASH SURPLUS (DEFICIT) FROM CAPITAL INVESTMENT</b>				<b>(2,060,000)</b>	<b>(7,525,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>

# Example – Multi-Year Financial Plan

5 YEAR PROJECTION OF CASH REQUIREMENTS				2018	2019	2020	2021	2022
<b>CASH FLOW FROM FINANCING</b>								
	ADDITIONAL DEBT			2,060,000	7,525,000			
	DEBT PRINCIPAL REPAYMENT			(68,666)	(319,499)	(319,499)	(319,499)	(319,499)
<b>CASH SURPLUS (DEFICIT) FROM FINANCING</b>				<b>1,991,334</b>	<b>7,205,501</b>	<b>(319,499)</b>	<b>(319,499)</b>	<b>(319,499)</b>
<b>TOTAL CASH SURPLUS (DEFICIT)</b>				<b>68,834</b>	<b>(177,874)</b>	<b>(173,625)</b>	<b>(169,249)</b>	<b>(164,742)</b>
<b>CASH AND CASH EQUIVALENTS</b>								
<b>GENERAL, unrestricted</b>								
	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)
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>				<b>674,755</b>	<b>496,881</b>	<b>323,256</b>	<b>154,007</b>	<b>(10,735)</b>
*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

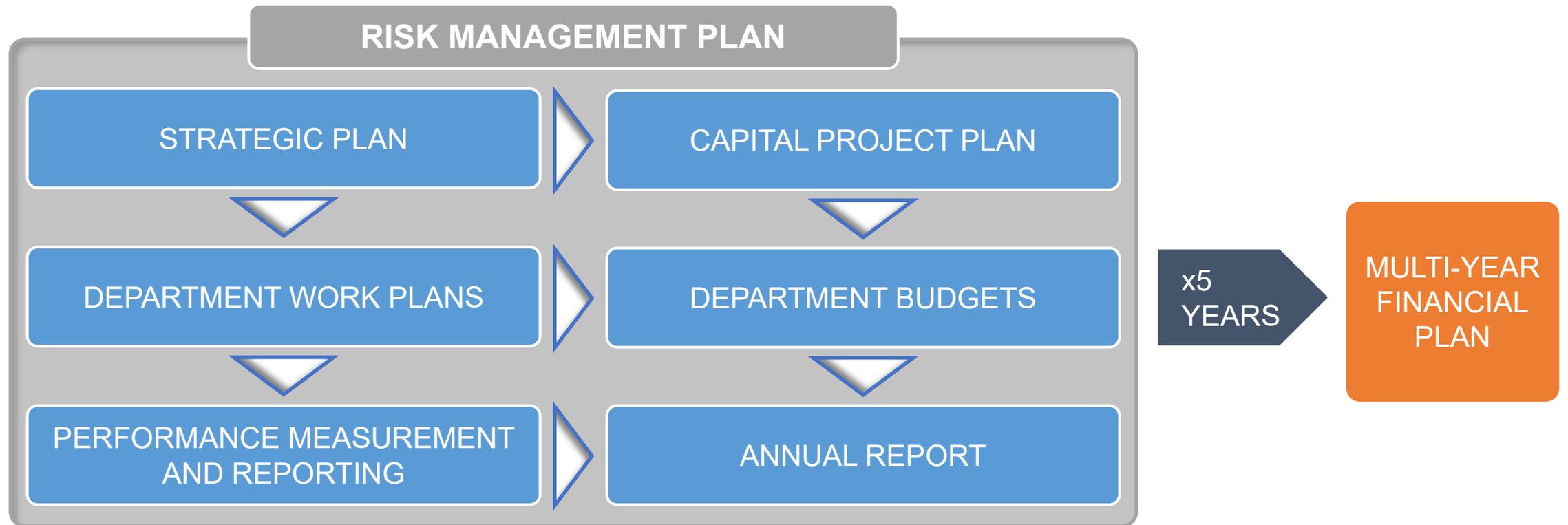


# Membership Involvement

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

