



Municipality of Mississippi Mills

Long-term Financial Plan

Final Report

August, 2025

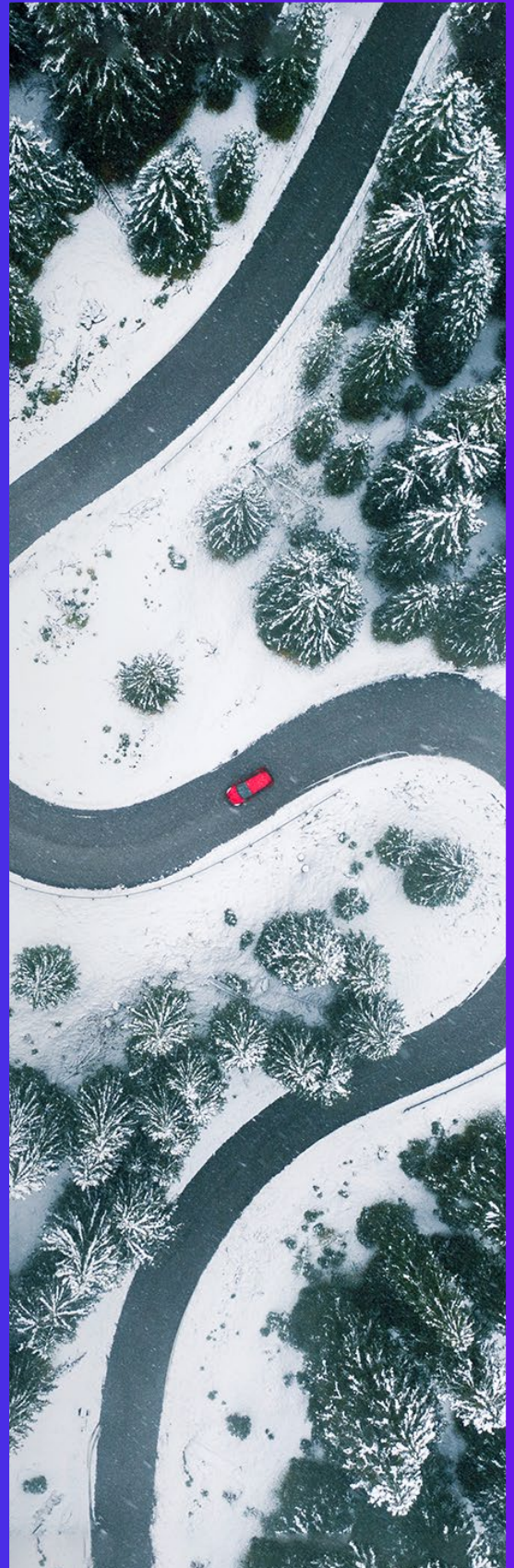


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Project Overview

Project Objectives – *How have we defined success?*

The Municipality of Mississippi Mills retained KPMG to develop a long-term financial plan (LTFP) that reflects the long-term capital, operating, staffing, revenue sources, and reserve funds needs of the municipality. The key components of the LTFP will include the following:

1. **Capital Planning:** The LTFP will reflect a 10-year capital budget for each department, drawing from the existing master plans, the Development Charges Study, and the Asset Management Plan, considering financing options, development charge applicability, reserve funds, and required tax revenue.
2. **Operating Planning:** The LTFP will reflect a 10-year operating budget for each department, considering historical operating expenditures and future planning related to information technology, administrative and community needs, as well as inflation, revenue opportunities, and required tax revenue.
3. **Staffing:** The LTFP will reflect a 10-year staffing budget for each department, considering strategic planning, population growth, master plan activities, and benchmarking data.
4. **Revenue Sources:** The LTFP will include different models and mechanisms for revenue generation and consider feasibility for the Municipality given legislation, population, activity levels, and staffing constraints.
5. **Reserves and Reserve Funds:** the LTFP will reflect a 10-year plan for contributions to and draws from reserves to meet plan objectives.

Project Drivers – *What problem are we trying to solve?*

The Municipality is looking for a renewable approach which would allow for modelling and scenario analysis to assist Council with decision making in the future. Additionally, the plan and model will offer opportunities to standardize and streamline planning conventions related to projects, cost, and timing across the multiple master plans, departments, and records that exist at the Municipality.

Project Timing

We understand that the Municipality would like the LTFP to inform the 2026 to 2035 annual budgeting process, using a phased-in approach. The expectation is that plan will be complete in draft by the end of August 2025 and a presentation made to the Committee of the Whole in September 2025 prior to the 2026 budget being tabled.

Project Phases

The project was broken down into four phases, as illustrated below, each focused on specific, tangible objectives and activities:

Phase 1: Project Initiation	Phase 2: Current State Assessment	Phase 3: LTFP Development	Phase 4: Final Report & Presentation
This phase laid a strong foundation for the project through the facilitation of introductory and kick-off meetings with key project contributors. Activities: • Kick-off meeting with the Project Team • Confirmed Project Charter • Project Schedule / Gantt Chart • Stakeholder Engagement Plan	This is the stage where KPMG evaluated the Municipality's overall financial health, history, current status, and sustainability of the current services provided. Activities: • Documentation Review • Stakeholder Engagement • Current State and Gap Analysis • Summary of Findings • Working Session #1: Interim Report Presentation	In this phase, KPMG created a financial model and long-term financial plan based on the current state assessment completed. Activities: • Long-term financial model • Draft recommendations • Working Sessions #2, #3: Validate financial model and plan with project team	Once the financial model was developed, KPMG extracted the key findings and outputs generated by the model in a draft final report with the financial plan. Activities: • Draft final report • Working Session #4: Review draft final report with project team • Final presentation to Committee of the Whole • Working Sessions #5, #6: Staff training

Long-term Financial Planning Explained

Introduction

As defined by the Government Finance Officers Association ('GFOA'), long-term financial planning combines financial forecasting and strategizing and in doing so, allows municipalities to address future issues by developing and evaluating different financial scenarios. More formally, financial planning involves 'the process of projecting revenues and expenditures over a long-term period, using assumptions about economic conditions, future spending scenarios and other salient variables' thereby allowing municipalities to 'align financial objectives with long-term service objectives'.

Recommended by the GFOA as a best practice, the Municipality has embarked on the preparation a long-term financial plan that is intended to establish a series of principles and policies that will guide its financial management over the ten-year planning period. In addition to forecasting operating and capital requirements and associated sources of funding, the long-term financial plan also forms the basis for financial policies for the Municipality's budgeting, borrowing, capital financing and reserve fund management.

Context of this report

This final report was prepared to reflect the projected financial position of the Municipality as a whole based on a set of financial and growth assumptions. This report serves as the long-term financial plan by identifying key areas of financial vulnerabilities and opportunities that should guide ongoing long-term financial planning.

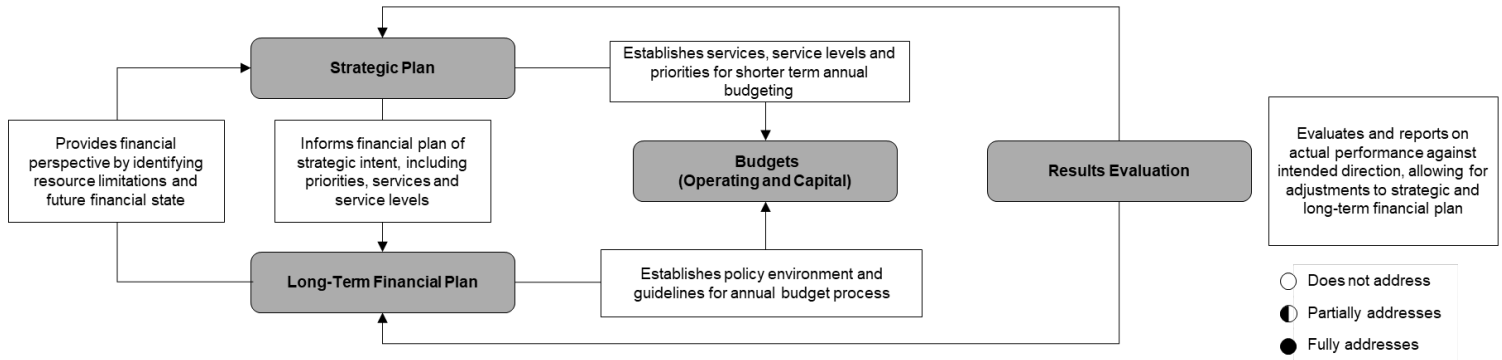
Long-term financial plans explained

Together with the Municipality's strategic plan, master plans, and annual budgets, the long-term financial plan is a component of the Municipality's planning, budgeting and evaluation cycle, which is intended to:

- Identify services and service levels for residents, thereby establishing strategic intent
- Incorporate financial considerations into the Municipality's overall planning process, ensuring the Municipality's financial planning does not compromise long-term perspective by overly focusing on details
- Prioritize financial investments based on long-term forecasts, thereby ensuring priorities are identified and appropriately funded
- Ensuring consistency and discipline in the financial planning and budgeting processes by establishing policies for financial decision-making
- Contributing towards continuous improvement by establishing and reporting on financial performance indicators.

A graphical depiction of the linkage between the components of the Municipality's financial planning, budgeting and evaluation cycle is provided on the following page.

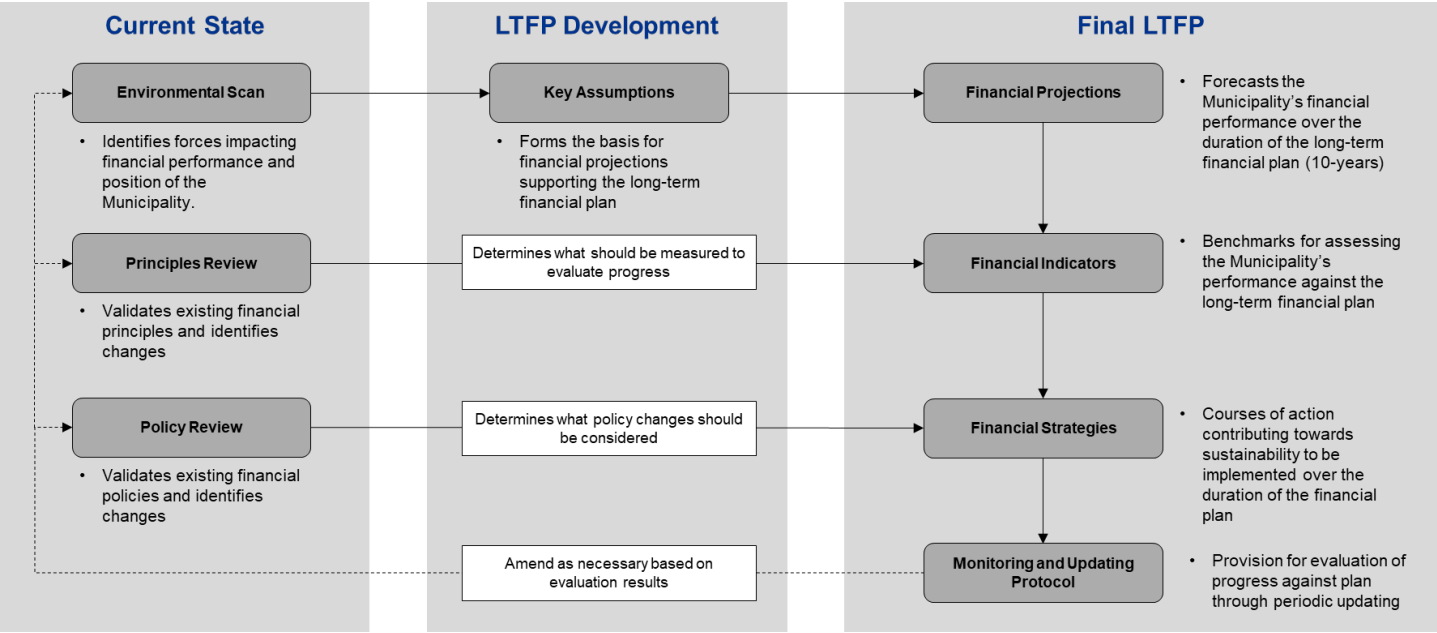
The Municipal Finance System



	Strategic Plan	Long-Term Financial Plan	Budgets (Operating and Capital)
Organizational vision	●	○	○
Long-term forecasting (revenue, expenditures, capital, debt, reserves)	○	●	◐
General environmental scan	●	○	○
Fiscal environment analysis	○	●	○
Service demand planning	◐	◐	◐
Service prioritization	●	○	●
Resource allocation	○	○	●
Management planning	○	○	●

Components of a long-term financial plan

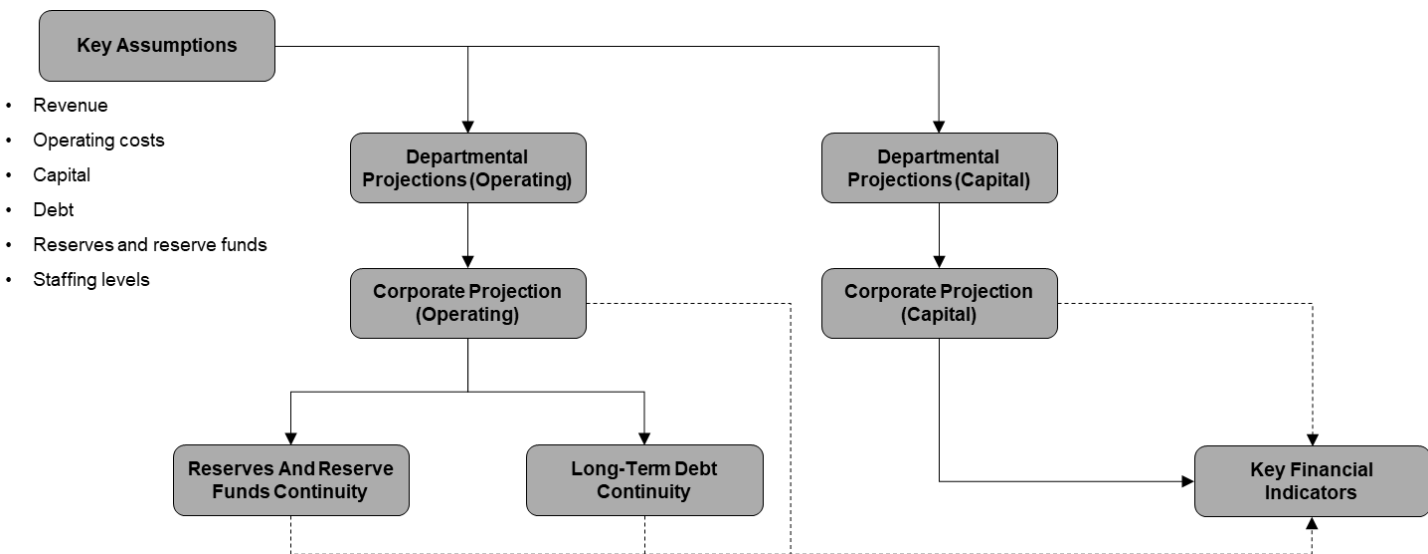
The long-term financial plan is comprised of the following major components.



Looking Forward

A key component of the long-term financial plan is the development of a financial forecast that considers the impacts of those forces identified in our analysis of the Municipality's current state that will ultimately influence the Municipality's financial performance over a ten-year planning horizon. The financial forecast is based on the Municipality's projections for 2026 to 2036 and reflects a bottom-up approach, whereby forecasts are first developed at the departmental level and consolidated into a corporate forecast that encompasses all of the Municipality's operations.

A graphical depiction of the financial forecast is presented below.



Financial modelling assumptions

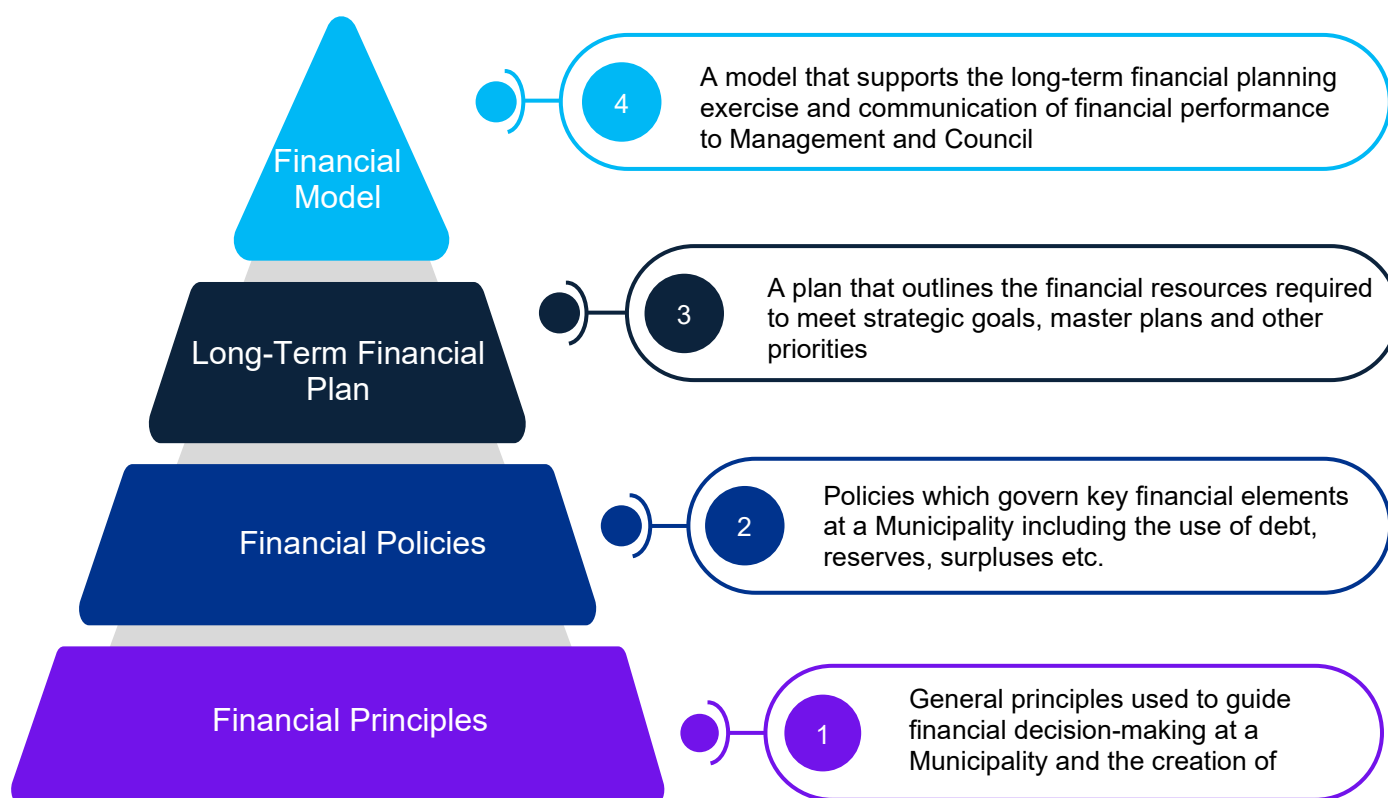
The following forecasts for the general operating fund encompass a number of key assumptions that were used to project the Municipality's anticipated financial performance, including the following:

Category	Item	Assumption	Purpose
Growth Assumptions	Population and household growth	Based on the DC (Development Charges) Study (last updated April 2025), the average population growth rate between 2025 and 2036 is estimated to be 1.82% per year as population is projected to reach nearly 20,000 residents at the end of the 10-year span of the LTFP. In that final year with a PPU (Persons Per Unit) estimate of 2.364, total households is estimated to reach 8,383 in 2036.	Combined summary – Municipal levy per household
	Income growth	Median household income (pre-tax) is estimated to remain at \$100,000 across the 10-year span of the LTFP (StatsCan 2020 median total income of households).	Financial KPI – Residential tax as a percentage of household income

	Taxable assessment	Taxable assessment is set at \$2.25B based on the 2022 FIR (FIR 22A 9299) across the 10-year span of the LTFP.	Financial KPI – Total taxation as a percentage of total taxable assessment
	Tangible Capital Assets	The value of all tangible capital assets are set at \$91M based on the 2022 FIR (FIR 51A 9299) in the base year of the model, and capital additions (based on capital expenses) are used to project the growth in assets across the 10-year span of the LTFP.	Financial KPI – Capital additions as a percentage of total capital assets
Financial Assumptions	Revenue assumptions	User fees and service charges are estimated to grow at a rate of 3.0% per year and penalties and charges are projected to grow at 2.0% per year. Grant revenue is not projected to increase (i.e., growth rate of 0.0%)	Operating projections – Revenue assumptions are applied to each department budget
	Operating expense assumptions	Salaries and benefit costs were projected to increase at a yearly rate of 2.5% leading up to 2031. This growth accounts for existing collective agreement commitments including payroll tax increases.	Operating projections – Revenue assumptions are applied to each department budget
	Capital assumptions	Capital expenses and revenues (i.e., capital funding including grants, debt, development charges, and transfers from reserves are based on the Municipality's list of anticipated capital projects. Some assumptions have been applied to smooth timing for multi-year projects.	Capital projections

Sustainability Framework and Gap Analysis

KPMG suggests the following four elements to create a robust financial framework for the Municipality. It is important to note that the Municipality has already implemented most of these elements to varying degrees. In the following slides, KPMG performed a gap analysis between this sustainability framework and the Municipality's current policies and practices. The gap analysis is supported with recommendations to fully develop the sustainability framework.



Sustainability Framework: Gap Analysis

	Existing Elements Present at the Municipality	Observation / Gap	Recommendation
Financial Principles	1. N/A	1. The Municipality does not have a formal Financial Principles document that Council has approved.	1. Adopt a Financial Principles document to guide financial decision-making. A draft set of Financial Principles are presented in Appendix B. 2. Facilitate a staff report to Council to introduce the concept of financial principles to encourage financial accountability.
Financial Policies	1. Existing policies pertaining to a. Asset management b. Debt management c. Reserves and surplus d. Investments	1. See Appendix C for the list of financial policies and their current status.	1. Review the Debt Policy to ensure alignment between financial principles and the policy e.g., liability servicing limits 2. Review minimum and optimal reserve balances and update the reserves and reserve funds policy accordingly. Schedule review of these reserve balances annually during the budget season with recommendations to increase levels sent to Council for approval.
Financial Plan	1. 2015-2030 Long Term Financial Plan (approved by Council) 2. The Municipality initiated a capital project identification system	1. There is no Municipal policy requiring master plans to include financial projections before obtaining approval from Council. As a result, many master plans at the Municipality have received approval without fully understanding their implications on the Municipality's financial plan. 2. The financial plan is not reflective of the current state of the Municipality. Despite covering the period between 2015 and 2030, the plan became outdated as master plans and Council priorities shifted from the original assumptions.	1. Adopt a policy which requires all master plans to contain financial projections for Council and the Finance department to be integrated into the LTFP. 2. Continue identifying all capital projects using the new identification system and quantify anticipated expenditures and funding sources for all master plans and incorporate them into the LTFP and model.
Financial Model	1. N/A	There is no financial model that is a single source of financial truth for the Municipality. Each department has their own financial perspective on long-term capital expenditures and master plans.	1. Adopt the LTFP produced as part of this review which consolidates all the capital worksheets across the organization into one financial model (to be used as a single source of truth) 2. Use the KPMG model as a basis for reporting financial performance against the LTFP.

Long-term Forecasting Results

KPMG developed a long-term financial model for the Municipality of Mississippi Mills. This model has several features that will empower the Municipality's Finance team to forecast the long-term financial position of the municipality. A summary of the forecast scenario is provided on the following pages. Specifically, KPMG analyzed the following financial items:

1. **Operating Expenses** required to support day-to-day operations for the Municipality;
2. **Operating Revenues** including the tax levy, grants, user fees, etc.;
3. **Capital Expenses** including major projects, improvements, and replacements;
4. **Reserves and Reserve Funds** covering the operating, capital, and stabilization purposes;
5. **Long-term Debt** and its benchmarking against internal debt limits at the Municipality.

Operating Expenses

Total operating expenses are projected to increase from \$26.3 million in 2025 to \$32.9 million in 2036, representing an average increase of 2.1% per year. The major changes over the forecasting period include:

Salaries, wages and employee benefits increasing from \$11.8 million to \$16.4 million from 2025 to 2036 including payroll taxes, projected growth in workforce, collective agreement commitments, and estimates where contracts are pending. Salaries, wages, and employee benefits represents the largest share of operating expense, averaging 48% of total operating expenses over the 10-year period.

Materials and supplies increasing between \$2.8 million to \$3.2 million from 2025 to 2036 representing expected inflation on the cost of goods and services.

Contracted services are assumed to increase by 2.0% annually from 2025 to 2036. Contracted services expenses are the second largest expense for the municipality (21% of operating expenses), primarily driven by public works services (transportation, waste management, and water and sewer services).

Figure 1. Projected Operating Expenses
2025 to 2036

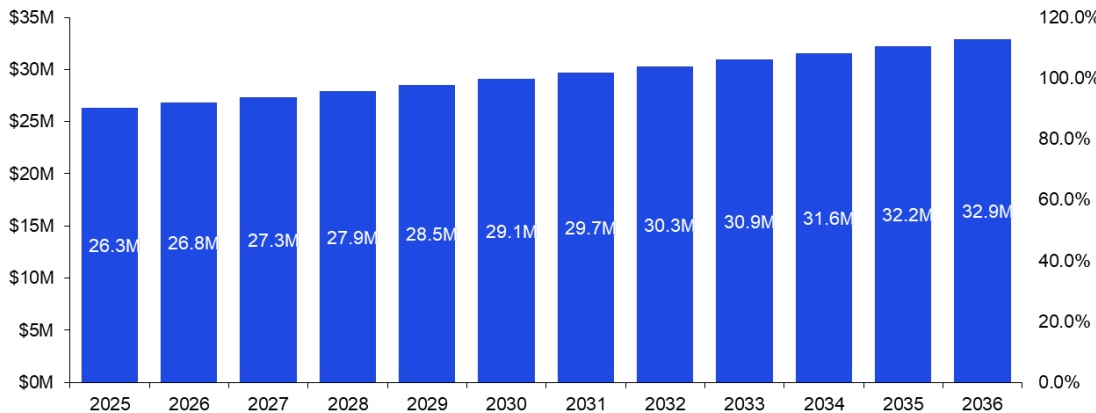
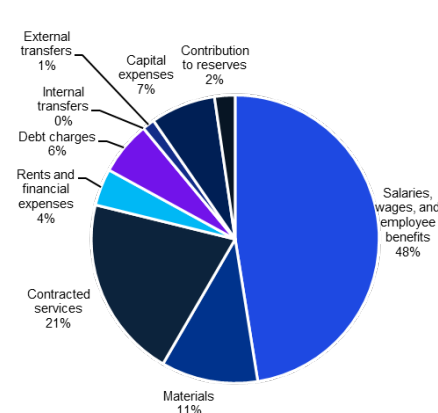


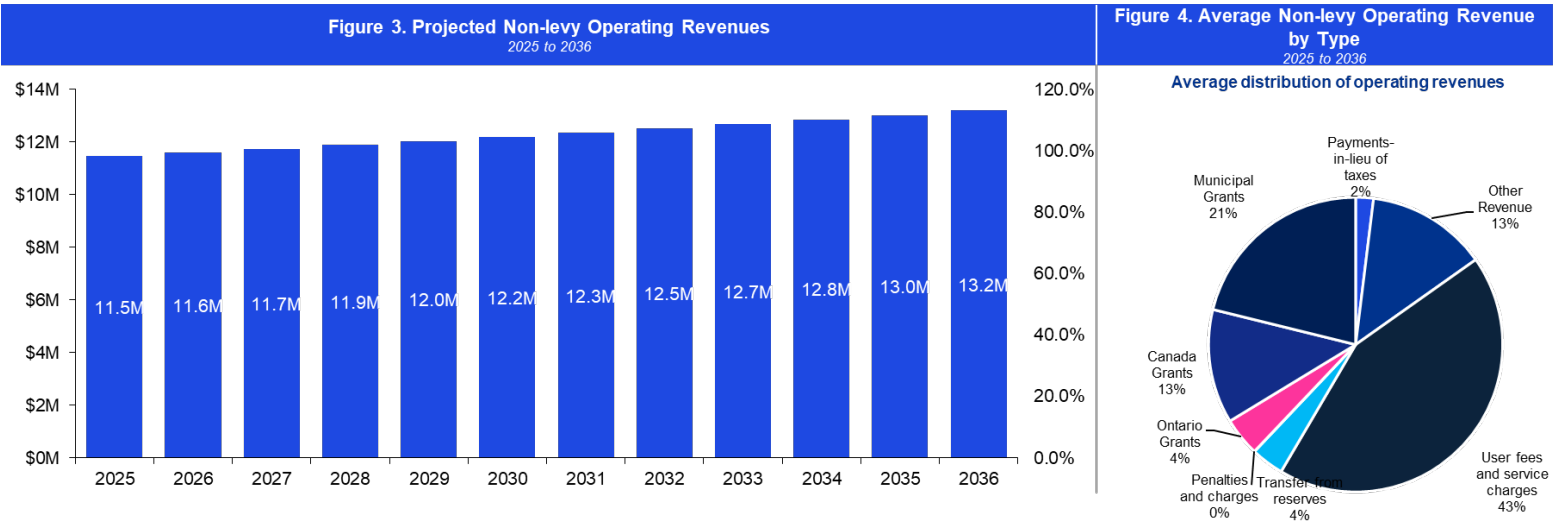
Figure 2. Average Operating Expense by Type
2025 to 2036



Operating Revenues

Non-levy operating revenues are projected to grow from \$11.5 million to \$13.2 million (excluding transfers from reserves), representing an average annual growth of 1.3%. With respect to projected non-levy operating revenues:

- User fees and service charges account for over half of the Municipality’s non-levy operating revenue, with municipal grants to recreation, childcare, and library representing approximately 43% of average operating revenue through the 10-year span of the LTFP.
- User fees and service charges have been assumed to grow at a rate of 3.0% annually as one of the core financial assumptions of the model.
- Municipal grants, which accounts for 21% of operating revenue, is entirely comprised of the County of Lanark grants for childcare fee subsidy and program operation funding.

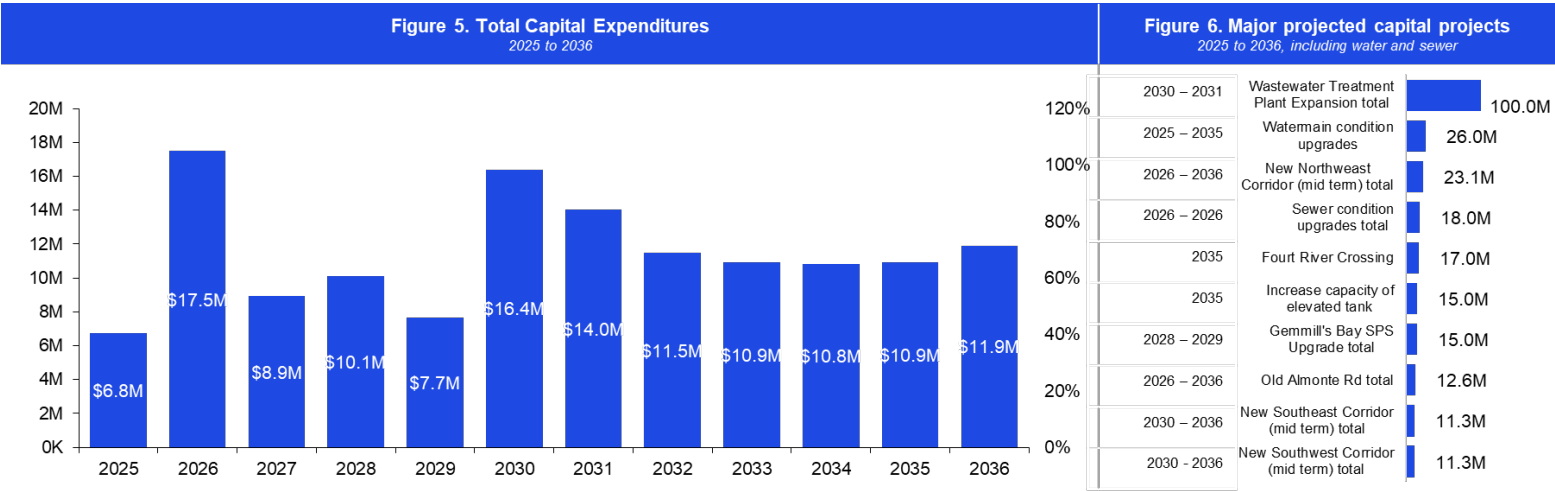


Capital Expenditure

The forecast anticipates total capital expenditures of \$376 million between 2025 and 2036 across 327 projects, including Water and Sewer projects. However, Water and Sewer projects (\$239 million) do not impact the municipal tax levy; all other projects total \$137 million in capital spending. Significant increases in capital investment are planned in the years 2026 and 2030 based on the human tendency to prefer round numbers as well as deferring projects to begin in the next fiscal year.

The nearly half (49%) of the \$137 million capital investment is anticipated to be financed through the municipal tax levy while other funding sources including development charges, reserves and the issuance of additional debt will also be leveraged to finance projects.

As expected, the majority of capital projects fall under Public Works projects i.e., mainly concerning municipal infrastructure, facilities, equipment, and construction projects.



Total Debt

Total debt is projected to decrease from \$19.0 million in 2025 to \$18.3 million in 2036, representing an average decrease of 7% per year. All new debt represented in the model is captured in 2025 because the Municipality has not projected new debt financing for capital projects. If no further debt is incurred, the Municipality's debt servicing costs are projected to decline from \$2.2 million per year down to less than \$1 million per year by 2035.

Note: Total debt excludes debt related to Water and Sewer Services

Figure 7. Projected long-term debt, Beginning of Year
2025 to 2036

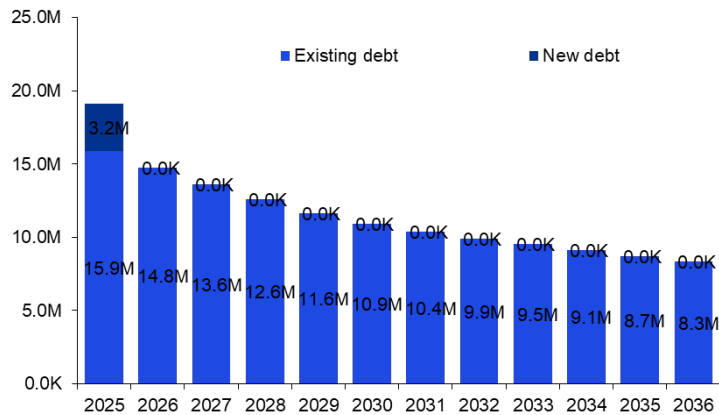
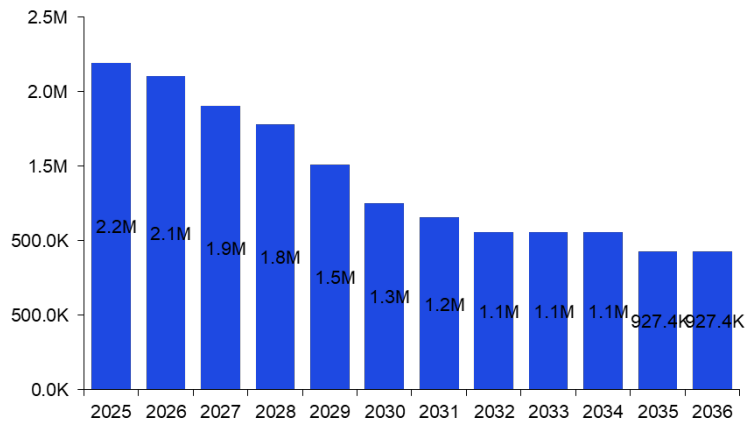


Figure 8. Debt repayment costs
2025 to 2036

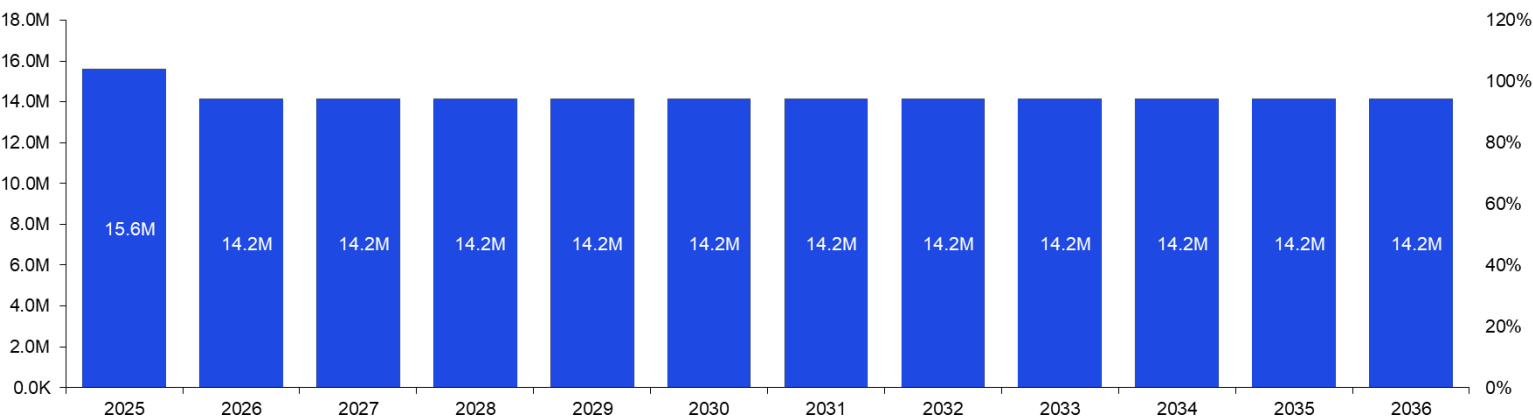


Reserves and Reserve Funds

The capital program has not budgeted for the use of reserves beyond the 2025 fiscal year. Hence, the chart below demonstrates an approximate \$1.45 million (or 9.3%) decline in reserves and reserve funds balances between 2025 and 2026. This leaves approximately \$14.17 million in reserves and reserve funds between 2026 and 2036.

In keeping with observations from the gap analysis in this report, KPMG recommends that the Municipality review its minimum targeted reserve balances on a yearly basis to ensure they reflect appropriate levels given intended uses and anticipated capital needs. These minimum targets will be important as the Municipality implements its capital program. Despite considerable funding anticipated from development charges, the Municipality's capital projects between 2025 and 2026 include over \$370 million of projects.

Figure 9. Projected Reserves and Reserve Funds Balance, Beginning of Year
2025 to 2036



Tax Levy Impact

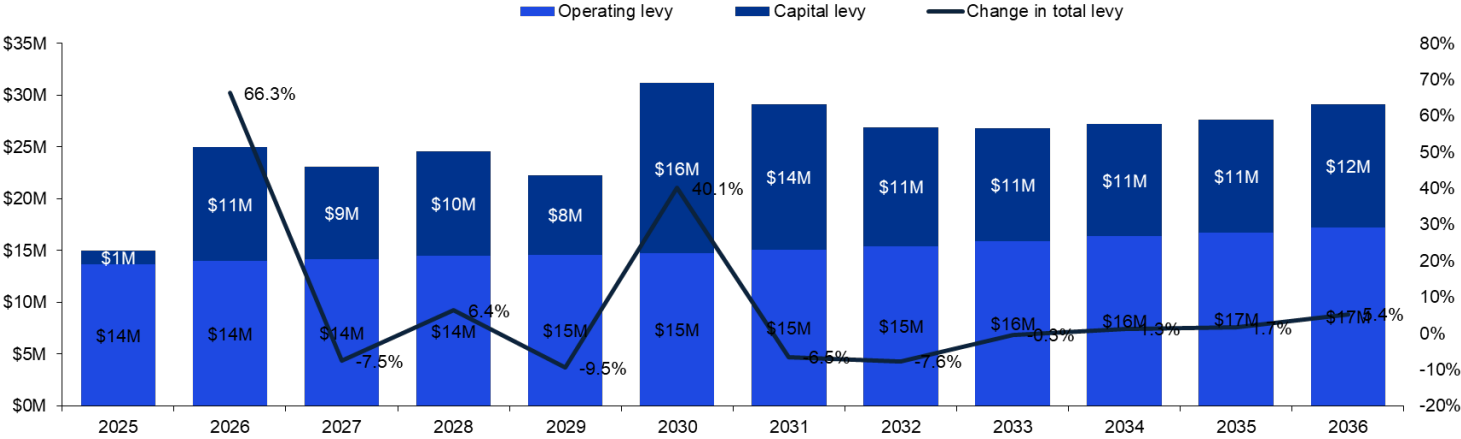
Between 2025 and 2036, the forecasted capital program and operating projections will result in increases to the tax levy. The annualized levy is estimated to grow by 8.1% per year.

At this point, the capital program is forecast to jump in 2030 which will result in a 40% increase in the tax levy. We anticipate that the Municipality will review the capital program to ensure that it is consistent and stable across the ten-year period of 2025 – 2036.

8.1%

average annual levy increase between 2025 and 2036

Figure 10. Projected Tax Levy Impact
2025 to 2036



Financial Performance Indicators

In 2009, PSAB released a Statement of Recommended Practice that provided guidance on how public sector bodies should report on indicators of financial condition. In reporting on financial condition, PSAB recommended three factors need to be considered:

1. Sustainability – The degree to which the Municipality can deliver services and meet its financial commitments without increasing its debt or tax burden relative to the economy in which it operates.
2. Flexibility – The Municipality's ability to increase its available sources of funding (debt, taxes, or user fees) to meet increasing costs.
3. Vulnerability – The extent to which the Municipality is dependent on sources of revenues, predominantly grants from senior levels of government, over which it has no discretion or control.

Some indicators of each of these pillars includes:

Sustainability Indicators	Flexibility Indicators	Vulnerability Indicators
• Financial assets to financial liabilities • Total reserves and reserve funds per household • Total operating expenses as a percentage of taxable assessment • Capital additions as a percentage of amortization expense	• Total debt per household • Residential taxation as a percentage of average household income • Total taxation as a percentage of total assessment • Debt servicing costs (interest and principal) as a percentage of total revenues • Net book value of tangible capital assets as a percentage of historical cost of tangible capital assets	• Operating grants as a percentage of total revenues • Capital grants as a percentage of total capital expenditures

Sustainability Indicators

Sustainability is the degree to which the organization can maintain existing programs and meet creditor requirements without increasing the debt burden on the economy.

Reserves and Reserve Funds per Household

As outlined in Figure 11, the Municipality’s total reserves and reserve funds per household is on a gradual decline over the projected period, this is based on a stagnant reserves balance while the number of households is set to increase.

Operating Expenses as a Percentage of Taxable Assessment

As outlined in Figure 12, The growth from 1.4% to 1.8% operating expense as a percentage of taxable assessment is based on a modest growth rate of operating expenses while anticipating a conservative 0% growth rate in taxable assessment.

Capital Additions as a Percentage of Total Capital Assets

As outlined in Figure 13, this KPI measures the rate of capital replacement/investment to assess the sustainability of capital assets. Over the projected period, annual capital additions represent 15% of total capital assets under the assumption of no asset retirements.

Figure 11. Total Reserves and Reserve Funds per Household
2025 to 2036

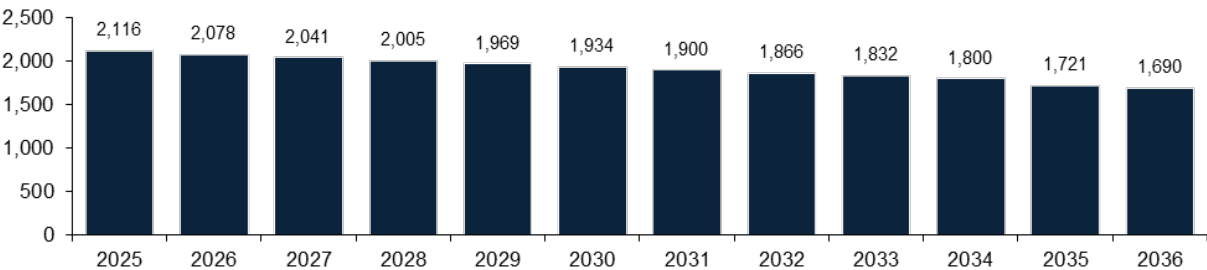


Figure 12. Total Operating Expense as a Percentage of Taxable Assessment
2025 to 2036

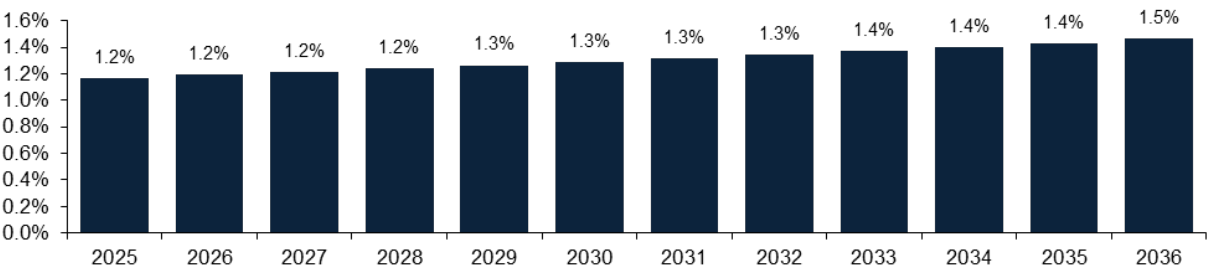
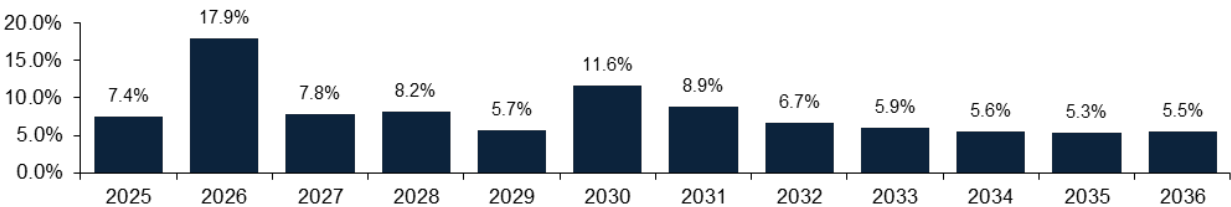


Figure 13. Capital additions as a percentage of total capital assets
2025 to 2036



Flexibility Indicators

Flexibility is the degree to which government can increase its financial resources to respond to rising commitment, by either expanding its revenues or increasing its debt burden.

Total Debt per Household

As outlined in Figure 14, total debt is projected to decline as explored previously in the report. Meanwhile total households are expected to grow over the next 10 years. Accordingly, total debt per household is expected to decline by more than half, from \$2.7k per household to \$1.1k per household between 2025 and 2036.

Residential Taxation as a Percentage of Household Income

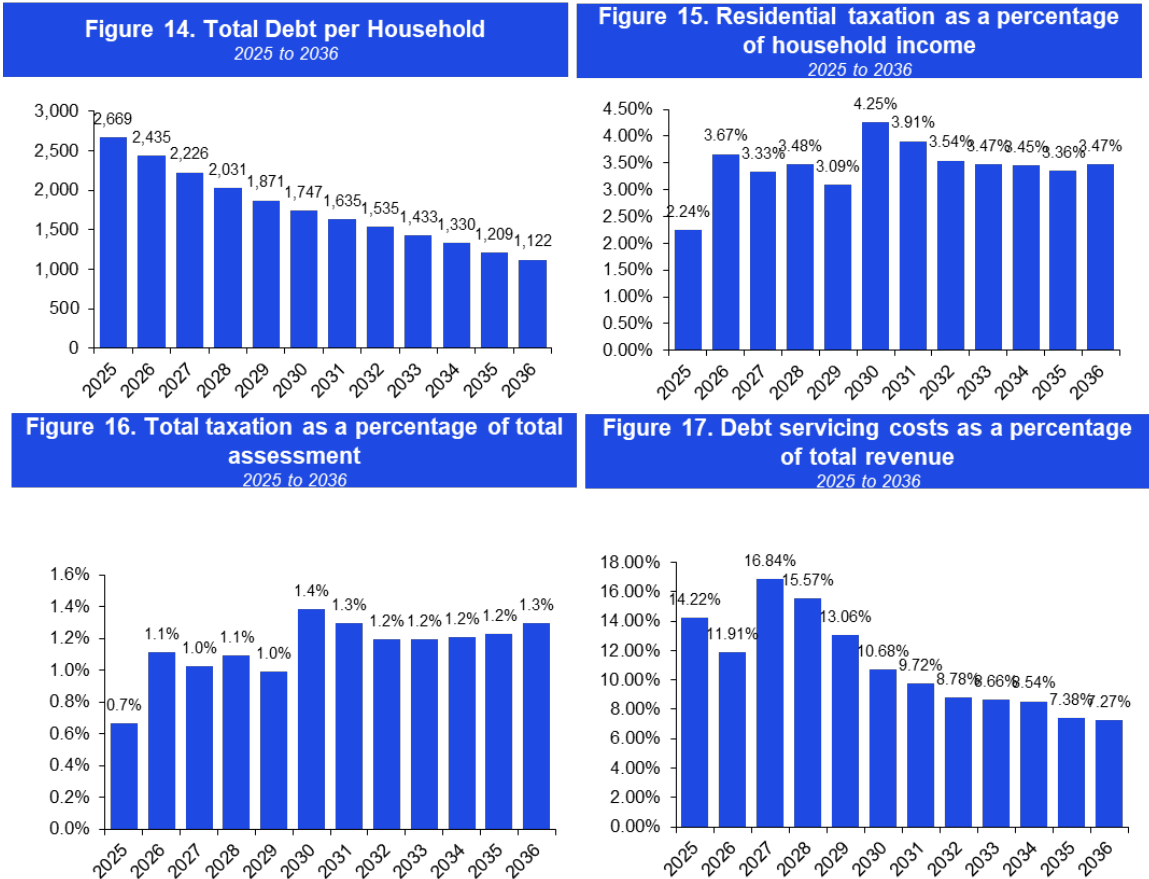
As outlined in Figure 15, the rate of residential taxation relative to household income will remain steady throughout the projected 10 years of the LTFP with some growth based on the Municipality’s capital needs around 2030 but quickly returning down to below 4% as observed in 2025.

Total Taxation as a Percentage of Total Assessment

As outlined in Figure 16, the Municipality may expect a slight upward trend of total taxation as a percentage of total assessment given the assumption of a flat line in total assessment value.

Debt Servicing as a Percentage of Total Revenue

As outlined in Figure 17, Debt servicing costs are expected to decline if there is no new debt incurred for capital projects. Since total revenue is expected to grow there will be a downward trend in debt servicing costs as a percentage of total revenue, with some moderate variance.



Vulnerability Indicators

Vulnerability is the degree to which the organization becomes dependent on, and therefore vulnerable to, source of funding outside its control or influence, both locally and provincially.

Operating Grants as a Percentage of Total Revenue

As outlined in Figure 18, Operating grants includes both federal and provincial grants included across all departments' budgets. While fluctuating between 11.6% and 18.2%, the average ratio is projected to be 16.4% over the duration of the LTFP.

Tangible Capital Asset Grants as a Percentage of Total Capital Expenditure

As outlined in Figure 19, This KPI fluctuates based on the capital plan shared by the Municipality. Few projects after 2026 have identified grants as a source of funding and hence eight of the projected years have indicated tangible capital asset grants as a percentage of total capital expenditure as zero.

Figure 18. Operating grants as a percentage of total revenue
2025 to 2036

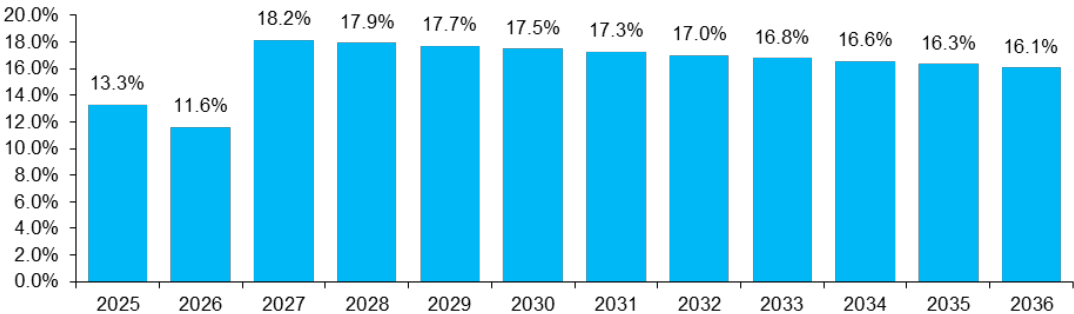
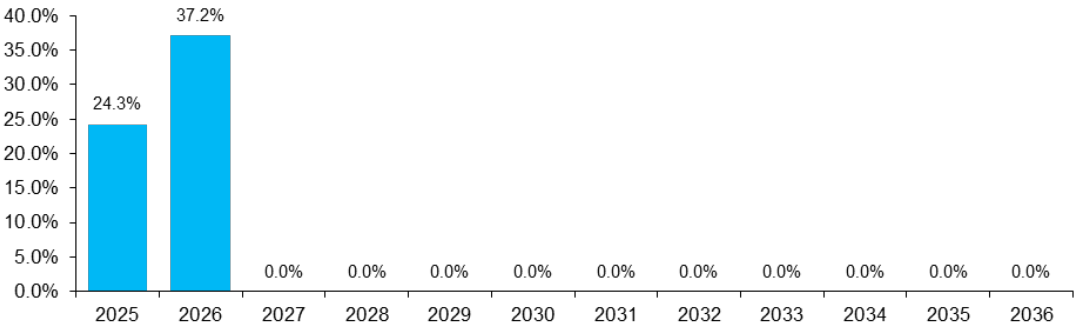


Figure 19. Tangible capital asset grants as a percentage of total capital expenditure
2025 to 2036



Summary and Conclusions

1. Building Blocks to the Plan

The long-term financial plan for the Municipality of Mississippi Mills was built on two key building blocks:

The first is the implementation of life cycle costing to replace the Municipality's assets at the end of their useful life. By charging itself for the use of the asset and allocating that revenue to a specific reserve, the Municipality will build its reserve and reserve fund position and significantly reduce the long-term cost of capital asset replacement.

The second building block is the implementation of a capital levy to provide long-term financial support to the Municipality's capital program. The implementation of a capital levy intrinsically tied to the operating costs of the Municipality will ensure that the fund will be sustainable and protected from inflationary factors. A capital levy will reduce the Municipality's reliance on debt financing and reduce the long-term tax impact of capital expenditures.

The combined implementation of life cycle costing and a capital levy will require annual levy increases but the pursuit of other financing strategies, namely debt or asset neglect, will in the long-term have a more significant cost to the Municipality of Mississippi Mills.

2. Maintaining the Long-term Financial Plan

The long-term financial plan outlined in this report represents a forecast of the Municipality's financial performance and position under a series of documented assumptions. The Municipality should update the LTFP annually, based on:

- The most recent operating and capital budgets, which will update the financial forecasts of revenues and expenditures.
- The most recent financial position of the Municipality, including reserve and reserve fund balances, staffing levels, and debts.
- Revised key assumptions, which will reflect changes to the financial operating environment since the initial financial forecast considered in the long-term plan.

The annual updating of the long-term financial plan is anticipated to occur following the finalization of the Municipality's operating and capital budgets. As a process that supports overall planning, budgeting, and evaluating structure, the maintenance of the LTFP will provide updated indicators that can be used to determine whether performance is within the ranges established and the extent to which trends indicate financial challenges that require pre-emptive action.

3. Communicating Results

As a means of communicating the Municipality's achievement of the financial principles identified in the long-term financial plan, it is recommended that the annual budget process include reporting on the Municipality's financial indicators, including trends in the financial indicators, outliers from the established ranges, and a comparison of the Municipality's indicators to select peer communities, with Municipal staff providing Council with an indication as to how the annual budget addresses the issues or opportunities identified by the indicators.

Financial Risks to Consider

Project Financing is Undetermined

Plan for the Use of Debt and Reserve Financing

As part of the LTFP, it is important to acknowledge a key financial risk related to the Municipality's capital project plan. While the draft capital plan has been integrated into the model, its financing structure has not been fully detailed. The plan assumes development charges and levy funding as a primary source of funding for all projects beyond 2026. However, for many capital projects, the use of debt and reserve financing has not been identified. Consequently, the debt schedule and reserve schedule included in the current model may not accurately reflect future realities.

Recommendation: To address this issue, it will be important for the Municipality to undertake more comprehensive planning regarding the use of debt and reserves as financing tools for its capital projects. In doing so, the financial model can better align with realistic funding scenarios and more accurately represent financial capacity and obligations for debt repayment and reserve contributions.

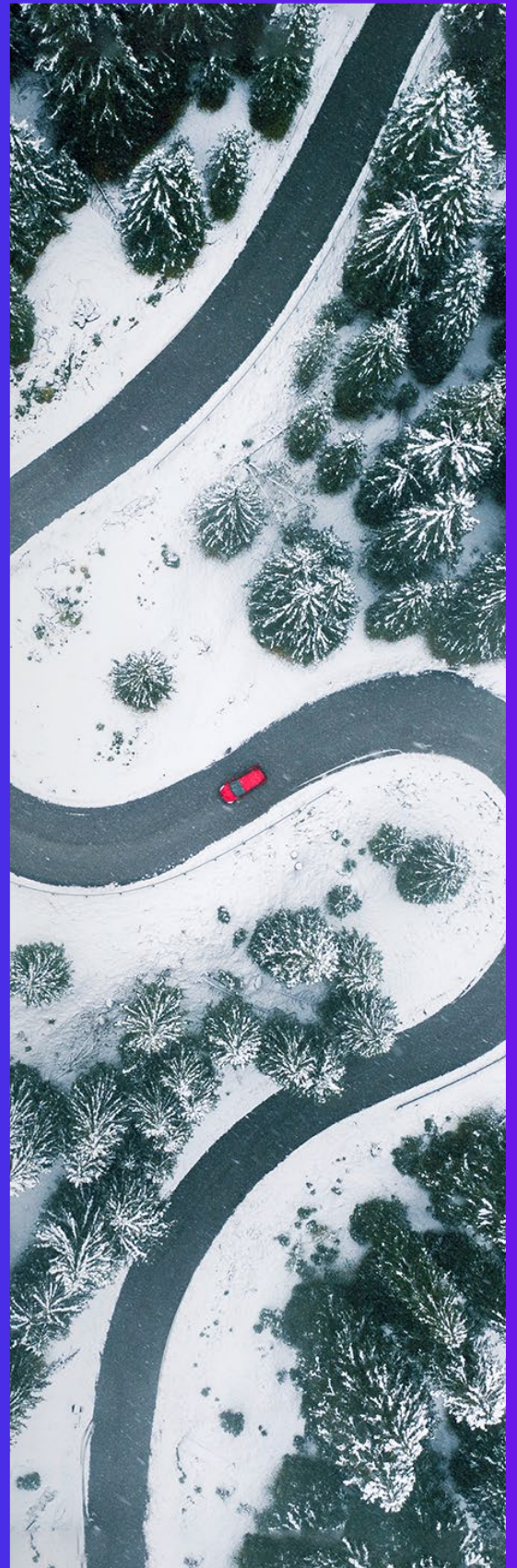
Capital Project Timing

Smooth Capital Project Sequencing to Minimize Volatility in the Capital Levy

Municipal departments have an observed tendency to cluster major capital projects around milestone years such as 2030 and 2035 based on human biases and estimations. This clustering results in certain years accounting for a disproportionately high share of projected capital spending. Such an approach poses significant challenges to financial and operational planning, potentially leading to strains on the Municipality's financial capacity (e.g., surpassing sustainable debt levels or requiring impactful tax increases) and operational capacity (e.g., overburdening internal resources during peak periods).

Recommendation: The Municipality will need to adopt review capital project timelines to align with both financial and operational capacity. This will involve distributing projects more evenly over the planning period to avoid spikes in spending that may jeopardize adherence to financial principles such as debt limits.

Appendices



Appendix A: Scope of Review

Project Approach

Phase 1: Project Initiation January	Phase 2: Current State Analysis January to March	Phase 3: Opportunity Identification & Recommendation March	Phase 4: Final Report & Presentation April to July
This phase laid a strong foundation for the project through the facilitation of introductory and kick-off meetings with key project contributors.	This is the stage where KPMG evaluated the Municipality's overall financial health, history, current status, and sustainability of the current services provided.	In this phase, KPMG created a financial model and long-term financial plan based on the current state assessment completed.	Once the financial model was developed, KPMG extracted the key findings and outputs generated by the model in a draft final report with the financial plan.

Stakeholders Engaged

Stakeholder Titles		
CAO (Chief Administrative Officer)	Director of Protective Services and Fire Chief	Culture and Economic Development Manager
Facilities and Project Manager	Director of Corporate Services and Treasurer	Director of Development Services and Engineering
Director of Daycare	Deputy Treasurer	Director of Roads and Public Works
Chief Librarian/ CEO	Clerk and Deputy CAO	Manager of Recreation
Human Resources Business Partner		

Documents Reviewed

Document Title			
Asset Management Plan (2016)	Asset Management Plan – Non-core Assets	Asset Management Plan – Core Assets	Strategic Asset Management Policy
Water Financial Plan	2024 Budget	2025 Budget	MMPL strategic Plan
Financial Information Returns (FIR) 2018-2023	Community Plan for Safety and Well-being	MMPL Space Needs Assessment	2024 Annual Repayment Limit (ARL)
2018 Audited Financial Statement	Parks and Recreation Master Plan	2015-2030 Long Term capital Plan	2015-2030 Long Term Financial Plan
Transportation Master Plan	Strategic Plan 2023-2027	Grant Continuity Schedule	Financial Forecasts
FIN-01 Credit Card Policy	FIN-02 Debt Policy	FIN-04 Municipal Grants	Projected LT Debt
FIN-06 Capital Assets Plan	FIN-07 Reserves and Reserve Funds Policy	FIN-08 Strategic Asset Management Policy	FIN-09 Tax Registration Policy
FIN-10 Retail Business Holidays Act Procedure	FIN-11 Development Charge Interest Policy	FIN-12 Asset Retirement Obligations	FIN-05 Investment Policy and Guidelines
Fire Service Review and Modernization Plan	Development Charges 2023	Reserves Tracking and Reconciliation 2024	Review of Reserves and Reserve Funds Part 1 and 2

Interview Guides



Mississippi Mills Long-Term Financial Plan Interview Guide – Municipal Leadership

The Municipality of Mississippi Mills has retained KPMG to develop a long-term financial plan (LTFP) that reflects the long-term capital, operating, staffing, revenue sources, and reserve funds of the Municipality. As part of the development of the LTFP, KPMG is conducting interviews with representatives of the Municipality's departments. The purpose of the interviews is to understand your department's financial priorities and how the financial sustainability framework will impact your master plan(s), capital plans, operating plans, and other business objectives.

The interviews are expected to last approximately 45 minutes. In preparation for the interview, kindly review the questions numbered below. KPMG project staff will document responses and will summarize the results in the form of general, not personally identifiable, themes and messages.

KPMG appreciates your contribution, time and effort and look forward to connecting with you over the following weeks. Should you have any questions about the interview guide, please contact Anne Lindsay at annelindsay@kpmg.ca.

Questions

- 1) Please provide a brief overview of your Department and its role within the Municipality. What are the primary responsibilities and functions of your Department?
- 2) What are the current financial priorities of your Department?
- 3) What are the biggest current and potential cost drivers in the delivery of services under your authority?
- 4) What financial challenges is your department currently facing? Are these different than the challenges faced by the Municipality as a whole? What financial challenges do you expect to face over the next 10 years?
- 5) What services are seeing the most pressure for enhancements/expansion from the public or Council?
- 6) Are there any significant capital expenditures within your master plans or other plans? i.e., multi-million-dollar project, projects spanning multiple years, projects requiring debt financing, etc.
- 7) Are your department's existing master plans (or other plans) sufficiently funded? Are there outstanding plans that are needed to help determine long-term financial stability?
- 8) Are there infrastructure assets not included in the original/master plans to reach sustainable capital funding levels?
- 9) Is your department responsible for maintenance of equipment, facilities, and/or other assets? What areas of maintenance would you say are underfunded?
- 10) Do you have any other financial considerations or insights you would like to share that have not been covered?



Mississippi Mills Long-Term Financial Plan Interview Guide – CAO

The Municipality of Mississippi Mills has retained KPMG to develop a long-term financial plan (LTFP) that reflects the long-term capital, operating, staffing, revenue sources, and reserve funds of the Municipality.

As part of the development of the LTFP, KPMG is conducting interviews with representatives of the Municipality's departments. The purpose of the interviews is to understand your department's financial priorities and how the financial sustainability framework will impact your master plan(s), capital plans, operating plans, and other business objectives.

The interviews are expected to last approximately 45 minutes. In preparation for the interview, kindly review the questions numbered below. KPMG project staff will document responses and will summarize the results in the form of general, not personally identifiable, themes and messages.

KPMG appreciates your contribution, time and effort and look forward to connecting with you over the following weeks. Should you have any questions about the interview guide, please contact Anne Lindsay at annelindsay@kpmg.ca.

Questions

- 1) How would you assess the current financial health of the Municipality? What are the key financial indicators you monitor to determine financial health?
- 2) Does the Municipality have financial principles to guide decisions and financial policies to guide actions?
- 3) What are Council's strategic priorities and vision for the Municipality over the next ten years?
- 4) What are the main barriers to accomplishing these priorities and vision? What are the most significant financial risks facing the municipality in the short and long term?
- 5) How do external factors, such as changes in provincial or federal funding, impact the Municipality's financial planning? Are there strategies in place to adapt to fluctuations?
- 6) How does the Municipality leverage reserves to support its financial plan?
- 7) How does the Municipality leverage debt to support its financial plan? What is the Municipality's attitude towards debt?
- 8) Does the Municipality have an investment strategy?
- 9) What outcomes do you hope to achieve from the long-term financial plan?
- 10) What questions can we specifically answer for you?
- 11) Do you have any final thoughts or suggestions you would like to share with respect to strategic priorities, service delivery, taxation, or other financial matters?

Appendix B: Proposed Financial Principles

#	Financial Principle	PSAB Classification	Description
1	User fees based on Cost Recovery Beneficiary Pay principle	Flexibility	Completed User Fee Study – maximize use of cost-recovery from consumers of identifiable services.
2	User Fees employ Full Cost Recovery Based on Activity Costing	Flexibility	Completed User Fee Study - All direct and indirect costs including overhead are recovered from the consumers of the activity.
3	Debt Management	Sustainability	Debt Charges to gross current expenditures not to exceed 15%. This sets maximum annual debt charges in relation to total current operating expenditures.
4	Debt Management	Flexibility	Maximum Debt Load of 25% of annual debt repayments from general taxpayers. Calculated annual debt interest and principal payments funded from general levy in relation to total debt charges.
5	Debt Management	Sustainability	Annual Debt Repayment Set At Maximum of 10% of net own source revenues. This financial indicator provides an indication as to the Municipality's overall indebtedness by calculating the percentage of revenues used to fund long-term debt servicing costs. The Municipality's ability to issue additional debt may be limited if debt servicing costs on existing debt are excessively high.
6	Debt Management	Vulnerability	Debt Financing is a last resort tool for one-time projects where insufficient life cycle costing funds are available.
7	Establishment of a Operating Stabilization Reserve	Flexibility	At year end, any net operational results will be transferred to/from the Operating Stabilization Reserve
8	Establishment of a Capital Stabilization Reserve	Flexibility	Budget variances resulting on approved capital projects will be funded from the Capital Stabilization Reserve
9	Establishment of a Capital Levy adjusted annually by construction index	Vulnerability	The capital levy is applied to projects that are typically not funded by long-term financing. The annual construction price index as determined by Stats Canada is used to determine the annual inflationary impacts on ongoing capital maintenance projects
10	Targeted Operating Rate Stabilization Reserve Balance	Sustainability	Targeted Operating Rate Stabilization Reserve Balance 10% of annual operating expenditure to provide the Municipality with protection from unforeseen operating budget variances
11	Targeted Capital Rate Stabilization Reserve Balance	Sustainability	Targeted Capital Rate Stabilization Reserve Balance 10% of annual Capital expenditures to provide the Municipality with protection from unforeseen budget variances on capital projects/purchases
12	Current Capital and Operating Budgets Completed must be completed before December 31 st of applicable year	Flexibility	Final Council approval of the upcoming annual budget must be completed prior to the end of the preceding year. This allows the Municipality the greatest opportunity to deliver optimum results on both capital and operating projects
13	Life cycle Asset Management	Sustainability	Completed asset management plan using life-cycle costing tied to the long-term financial plan
14	Life cycle Asset Management	Sustainability	Capital additions as a percentage of amortization expense – provides an assessment of the Municipality's efforts to replace its end-of-life capital assets. In the absence of meaningful reinvestment in tangible capital assets, the Municipality's ability to continue to deliver services at the current levels may be compromised.

Appendix C: Status of Financial Policies

Long-term Financial Plan Inputs: Strategic and Master Plans

The Municipality of Mississippi Mills initiated the “MM 2048 – Mississippi Mills” strategic project under the brand “Our Community, Our Future” to complete various strategic planning studies conducted in parallel using a coordinated and integrated approach.

Strategic and master plans play an important role in a LTFP. They inform the financial plan of strategic intent, including priorities, services and service levels.

Of the 11 plans reviewed for the LTFP, eight have either recently been completed or are currently under review.

Meanwhile, the MMPL (Mississippi Mills Public Library) Strategic Plan is approaching the end of its term (2018 to 2026) and will require update in the near future. Similarly, the Parks and Recreation Master Plan will be replaced by the Community Services Master Plan.

A gap was identified regarding stormwater management. The Municipality is exploring the feasibility of developing a stormwater master plan.

Legend			
	Complete, up-to-date		
	Complete, may require review		
	Incomplete		

Plan	Status	Term
1. Mississippi Mills Strategic Plan	Complete	2023 – 2027
2. Economic Development Strategic Plan (How We Prosper)	Update underway	Expected to be complete in June 2025
3. Planning Studies (How We Grow)	Complete	2023
4. Water/Wastewater Master Plan (How We Flow)	Complete	2024
5. Transportation Master Plan (How We Go)	Complete	2024
6. Community Services Master Plan (How We Play)	Update underway	Expected to be completed in May 2025
7. Solid Waste Management Strategy (How We Dispose)	Update underway	Expected to be complete in 2025
8. Development Charges Background Study (How We Fund)	Update underway	Expected to be complete in 2025
9. Fire Service Review & Modernization Plan (FSRMP)	Complete	2024
10. Mississippi Mills Public Library Strategic Plan	Near end	2018 – 2026
11. Parks and Recreation Master Plan (to be replaced by Community Services Master Plan)	Outdated	2013
12. Stormwater Master Plan (TBD)	Pending	

Long-term Financial Plan Inputs: Financial Policies and Procedures

In support of its financial planning, the Municipality requires supporting financial policies. A summary of the Municipality's current state of financial policies is provided.

Financial Policy	Overview	Last Update	Status
Debt Policy (FIN-02)	- Establishes protocols for debt financing, including term and interest rates - Establishes requirement to transfer debt servicing finance to capital funding upon repayment of debt - One comprehensive policy	Last amendment by Council June 2024	
Municipal Grants Policy (FIN-04)	- Establishes guidelines to organizations within Mississippi Mills who are seeking financial assistance - Determines eligibility criteria and limitations/obligations - Provides the municipal grant application form	Last amendment by Council October 2015 (10 years)	
Investment Policy and Guidelines (FIN-05)	- Defines eligible investments - Establishes requirements for management reporting to council - Review of Progress Fund investments with One Funds - Policy to advise on strategy to achieve investment objectives	Approved by Council September 2010 (15 years)	
Reporting of Tangible Capital Assets Policy and Procedures (FIN-06)	- Establishes requirement for three year capital forecast - Establishes capital levy and restriction on funds for capital purposes only - Defines approach to prioritizing capital projects - Alignment with asset management plan	Approved by Council March 2010 (15 years)	
Reserves and Reserve Fund Policy (FIN-07)	- Identifies types of reserves, including operating, capital and stabilization reserves - Establishes minimum and maximum amounts for reserves - Establishes automatic transfers for stabilization reserves - Assessment of target balances and strategies to achieve	Amended by Council October 2024	
Strategic Asset Management Policy (FIN-08)	- Establishes requirement for three year capital forecast - Establishes capital levy and restriction on funds for capital purposes only - Defines approach to prioritizing capital projects - Alignment with asset management plan	Approved by Council June 2019	
Tax Registration/Sale Policy (FIN-09)	Establishes policy for the registration and sale of properties	Approved November 2024	

	Creates a procedure for the Treasurer to maintain updated list of registered properties		
Development Charge Interest Policy (FIN-11)	- Establishes a framework for charging interest on development charges (DCs) - Allows for the deferral of DC payments for eligible developments - Sets the interest rate as the Bank of Canada prime interest rate plus three percent, all interest compounded annually until the total accrued amount is fully paid.	Approved September 2022	
Asset Retirement Obligations Policy and Procedures (FIN-12)	- Mandates the identification, measurement, and reporting of costs associated with asset retirement - Requires departments to communicate any retirement obligations and prepare cost estimates - Provides guidelines for recognizing and measuring asset retirement obligations	Approved February 2022	

Case for Support

The table below summarizes external factors that may impact the Municipality's long-term financial plans. Findings are organized in a SWOT (strengths, weaknesses, opportunities, threats) analysis:

Strengths
- Council has expressed support for the LTFP. - Foundational financial policies are in place to support robust financial planning. - Key strategic planning documents (master plans, asset management plan, etc.) are either undergoing updates or recently updated. - Interviewees have suggested the Municipality's infrastructure is well-maintained
Weaknesses
- The Municipality does not have an active long-term financial plan. - Departmental master plans are mutually exclusive, and their consolidated financial impacts are not captured. - Plans for strategic initiatives with capital requirements are often siloed, without considering the broader financial position of the Municipality. - Reserves and reserve funds sustainability is uncertain. - Some service areas are dependent on funding from upper levels government, which is a risk to the Municipality.
Opportunities
- Most core business activities/operations are highly predictable and can be reliably forecasted. - The Municipality is experiencing a growing assessment base with more investment within the jurisdiction. - Considerable population growth has been projected over the foreseeable future. - The Municipality is in the process of replacing Great Plains which has reached its end of life. - Multi-year budgeting can be explored as an outcome of the LTFP.
Threats
- Growth in population is expected to require accompanying investment in infrastructure. - Increasing service level expectations from the community and Council. - The cost-of-service delivery has risen rapidly and is expected to continue growing. - Uncertainty around interest rates which will impact the cost of borrowing.

Overview of the Municipality's Financial Performance

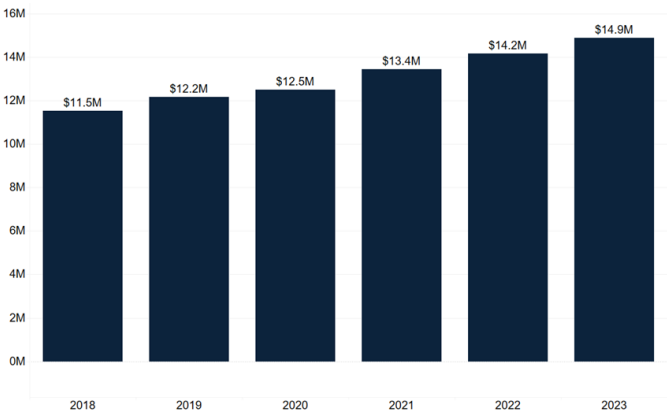
The Municipality's 2025 draft budget reflects a total levy requirement from taxation of \$12.5 million.

Over the period of 2018 to 2023, the municipal levy has increased by an average of \$0.68 million or 5.2% per year. In comparison, the Ontario Consumer Price Index increased on average 3.6% annually since 2018,¹ reflecting the increasing cost of local government services and growth in the Municipality's operations and assets.

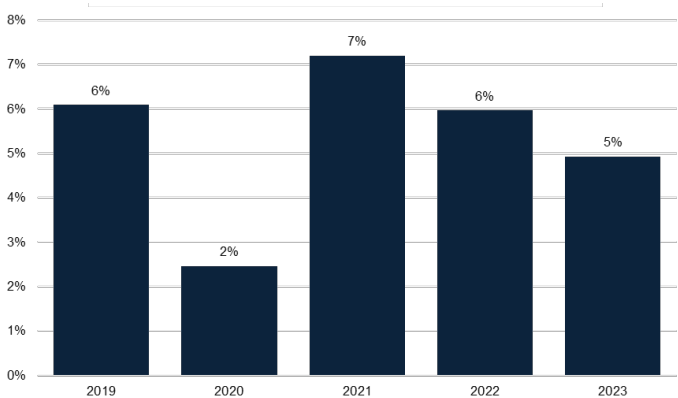
It is important to note, however, that the annual increases in the municipal levy have fluctuated from year to year, with largest annual increases experienced during 2021 (7%) and a much more nominal change in 2020 (2%). While these changes could be due to economic factors induced by the COVID-19 pandemic, the leading practice for tax policy is to levy increases that are steady and predictable over a five-to-ten-year period. This builds confidence and sustainability in the Municipality's financial plan from residential, commercial and industrial ratepayers.

Sources: 1- Municipality of Mississippi Mills Statements of Financial Information (2018-2023), Schedules 02 and 10; 2- Consumer Price Index, Annual Average, Not Seasonally Adjusted (Table 18-10-0005-01, StatsCan)

Total municipal levy – 2018 to 2023 (millions of dollars)



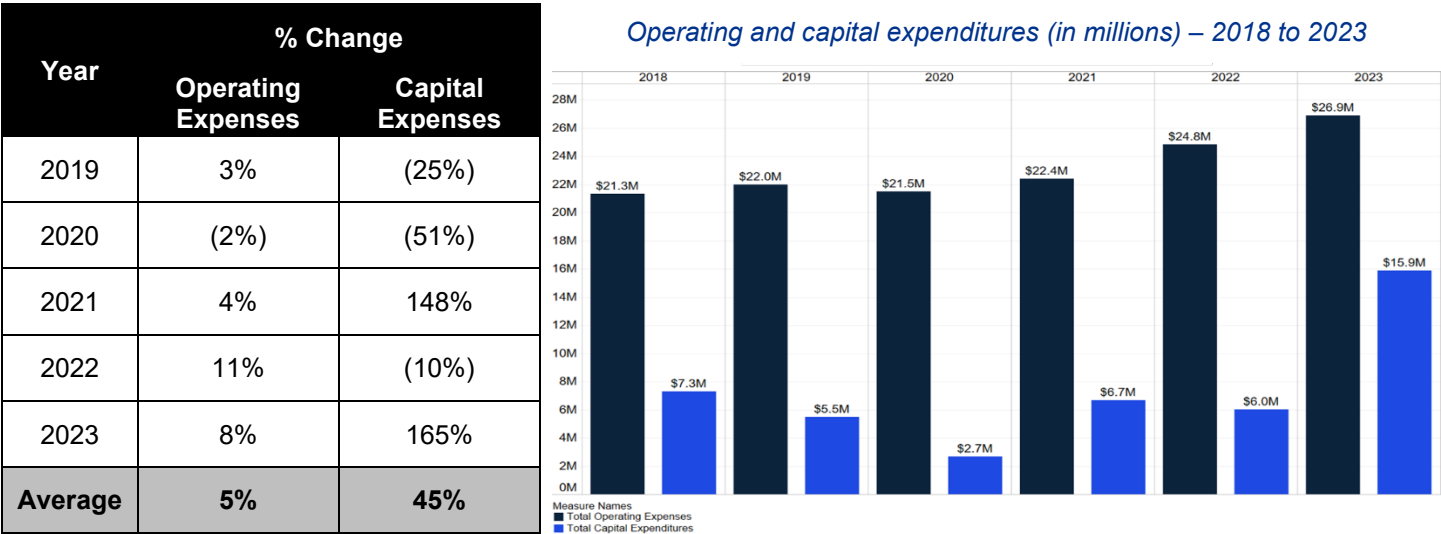
Annual increase in municipal levy – 2018 to 2023



Summary of Current Capital Position

The Municipality's investment in capital assets averaged \$5.6M between 2018 and 2022 but saw a sharp rise in 2023 to \$15.9, nearly threefold greater than the previous five-year average.

While operating expenses saw an average increase of 5% per year, reported capital expenses experienced much higher variance. For instance, capital expenses shrunk by 51% in 2020 during the first year of the COVID-19 pandemic but saw a steep increase in 2023 by 165% from the year prior.



Source: Municipality of Mississippi Mills Statements of Financial Information (2018-2023), Schedules 40 and 53

Summary of Liabilities

Liabilities per household represent an assessment of the Municipality’s ability to assume liability and access more debt by considering the existing debt and liability load on a per-household basis. High levels of debt may preclude the issuance of additional debt.

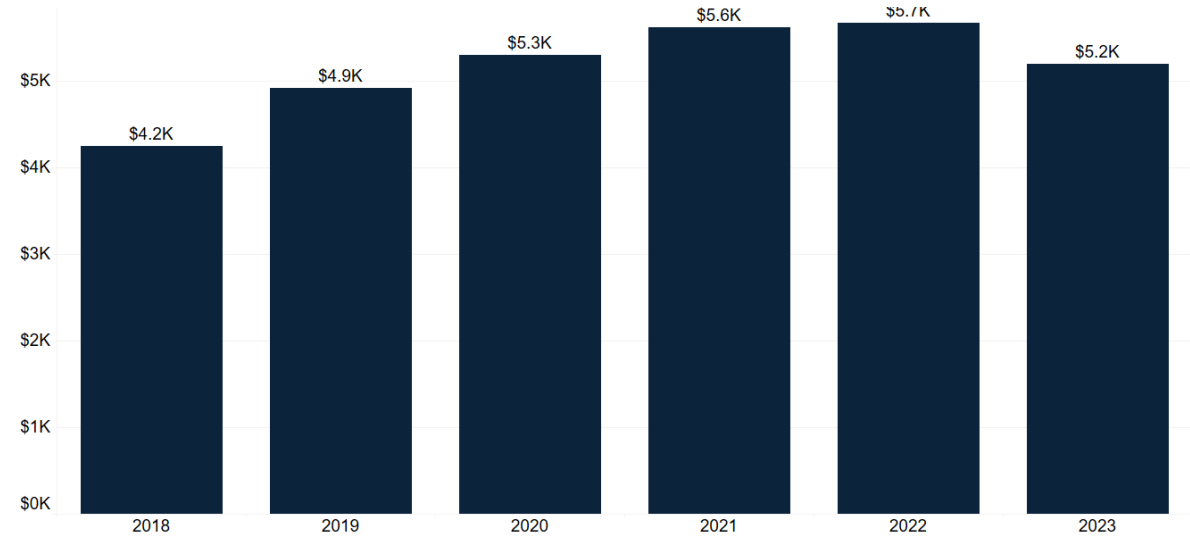
Low levels of liability indicate a municipality has more flexibility in the use of debt as a financing tool for future capital projects and resource investments.

The Municipality’s primary source of liabilities is its long-term liabilities (i.e., liabilities with maturity greater than one year) which account for 56% of the Municipality’s total liabilities.

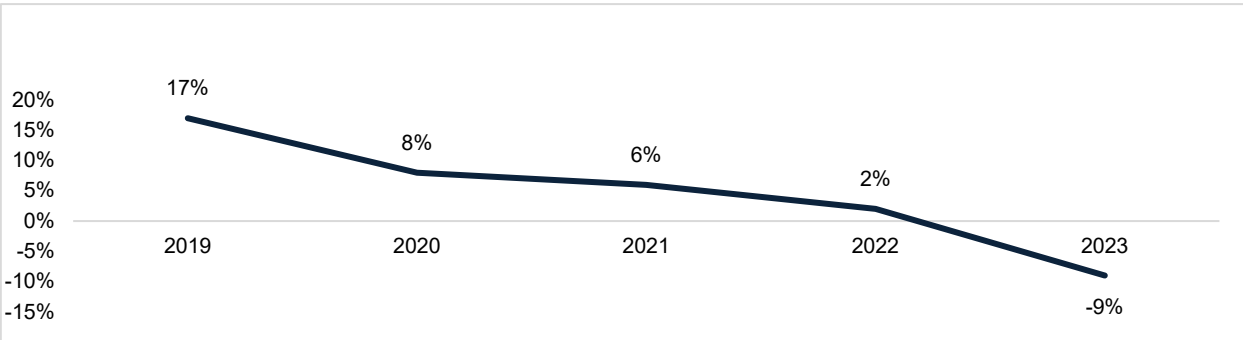
Liabilities	2023	
	Value	Ratio of Total Liabilities
Temporary loans	-	0%
Accounts payable and accrued liabilities	\$6,023,343	17.5%
Deferred revenue	\$7,054,165	20.5%
Long-term liabilities	\$19,106,771	55.6%
Post-employment benefits	-	0%
Liability for contaminated sites	-	0%
Liability for asset retirement obligations	\$2,151,279	6.3%
Total Liabilities	\$34,335,558	100%

Source: Municipality of Mississippi Mills Statements of Financial Information (2018-2023), Schedules 02 and 70

Total liabilities per household – 2018 to 2023



Percentage annual change in total liabilities per household – 2018 to 2023



Position of Long-term Liabilities

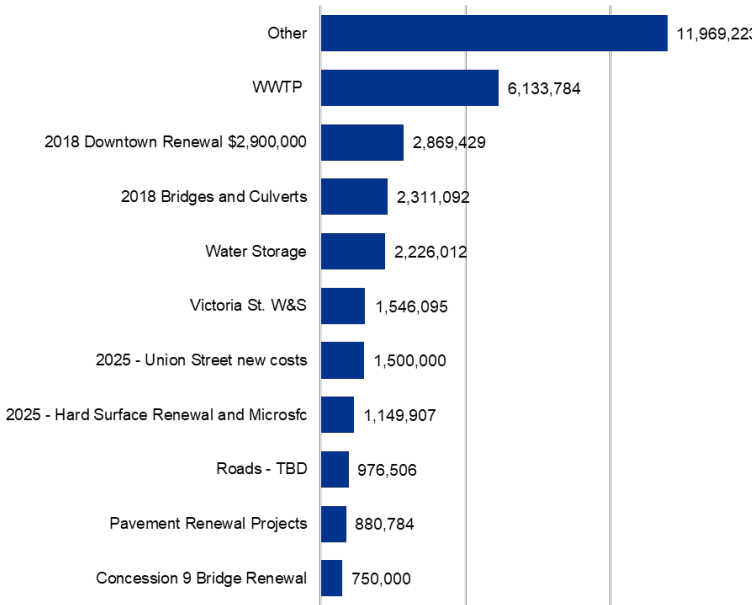
The Municipality is projected to have outstanding debt balances in 2025 with a projected total value of \$32.3M with \$3.3M payable in the 2025 fiscal year, representing 42% of the Municipality’s ARL (annual repayment limit, calculations below).

The Municipality is expected to have 61 independent debts outstanding in 2025 with the average year of maturity in 2033 (i.e., eight years outstanding). The largest single source of liability is the WWTP (Wastewater Treatment Plant), which is expected to have a value of \$6.1M in 2025, representing 18% of total projected value of loans at the end of 2025.

Source: Mississippi Mills Finance Department Long-term Debt Projections, updated February 2025

Debt outstanding at the end of 2024	\$ 28,424,008
Debt to be added to total debt in 2025	\$ 3,888,823
Total value of debt at end of 2025	\$ 32,312,830
Annual Repayment Limit (25% of Revenues)	\$5,588,846
Total annual debt payments projected in 2024	\$ 2,841,860
Loan payments for new debt issued in 2025	\$ 394,179
Projected annual debt payments in 2025	\$ 3,326,040
Remaining annual repayment limit (projected 2025)	\$ 2,352,806
Remaining annual repayment limit	42%

Value of outstanding loans (top 10 by value, and other) – 2025



Solvency and Liquidity

As reported in the 2023 FIR, the Municipality has total financial assets over \$37M and non-financial assets of nearly \$95M. Generally, the Municipality's current asset position is favourable relative to its position of liabilities.

Source: Municipality of Mississippi Mills Statements of Financial Information Return (2023), Schedules 02 and 70

Assets	2023	
	Value	Ratio of total assets
Cash and cash equivalents	\$ 24,661,818	19%
Accounts receivable	\$ 2,294,729	2%
Taxes receivable	\$ 2,284,076	2%
Investments	\$ 7,989,303	6%
Debt recoverable from others	-	
Other financial assets	\$ 20,220	<1%
Subtotal, Financial Assets	\$ 37,250,146	29%
Tangible capital assets	\$ 91,550,645	71%
Inventories of supplies	\$ 161,243	<1%
Prepaid expenses	\$ 25,619	<1%
Subtotal, Non-financial Assets	\$ 94,737,517	71%
TOTAL Assets	\$ 128,987,653	100%
TOTAL Accumulated Surplus (Deficit)	\$94,652,095	

Measure	Description
Quick Ratio 1.89	The quick ratio (or acid test ratio) measures an organization’s ability to resolve its short-term liabilities with only its cash and cash equivalents. Most organizations target a ratio of 1 or higher. The Municipality is well-exceeding its quick ratio target of 1.00, indicating the organization has a high level of cash and cash equivalents relative to current assets. Short-term liabilities includes temporary loans, accounts payable and accrued liabilities, and deferred revenue.
Current Ratio 2.24	The current ratio is a measure of liquidity that examines the ratio of current assets to short-term liabilities. While the quick ratio is above target, the current ratio is lagging moderately, indicating that while cash and cash equivalents are strong, they represent a disproportionately high portion of total assets. Current assets includes cash and cash equivalents, accounts receivable, and taxes receivable.
Debt Ratio 0.27	The debt ratio simply measures the ratio of total liabilities to total assets, signaling the proportion of the organization which is financed by debt. The Municipality’s debt ratio is 0.27, which is in a healthy range, representing a relatively low value of total liabilities given total assets.

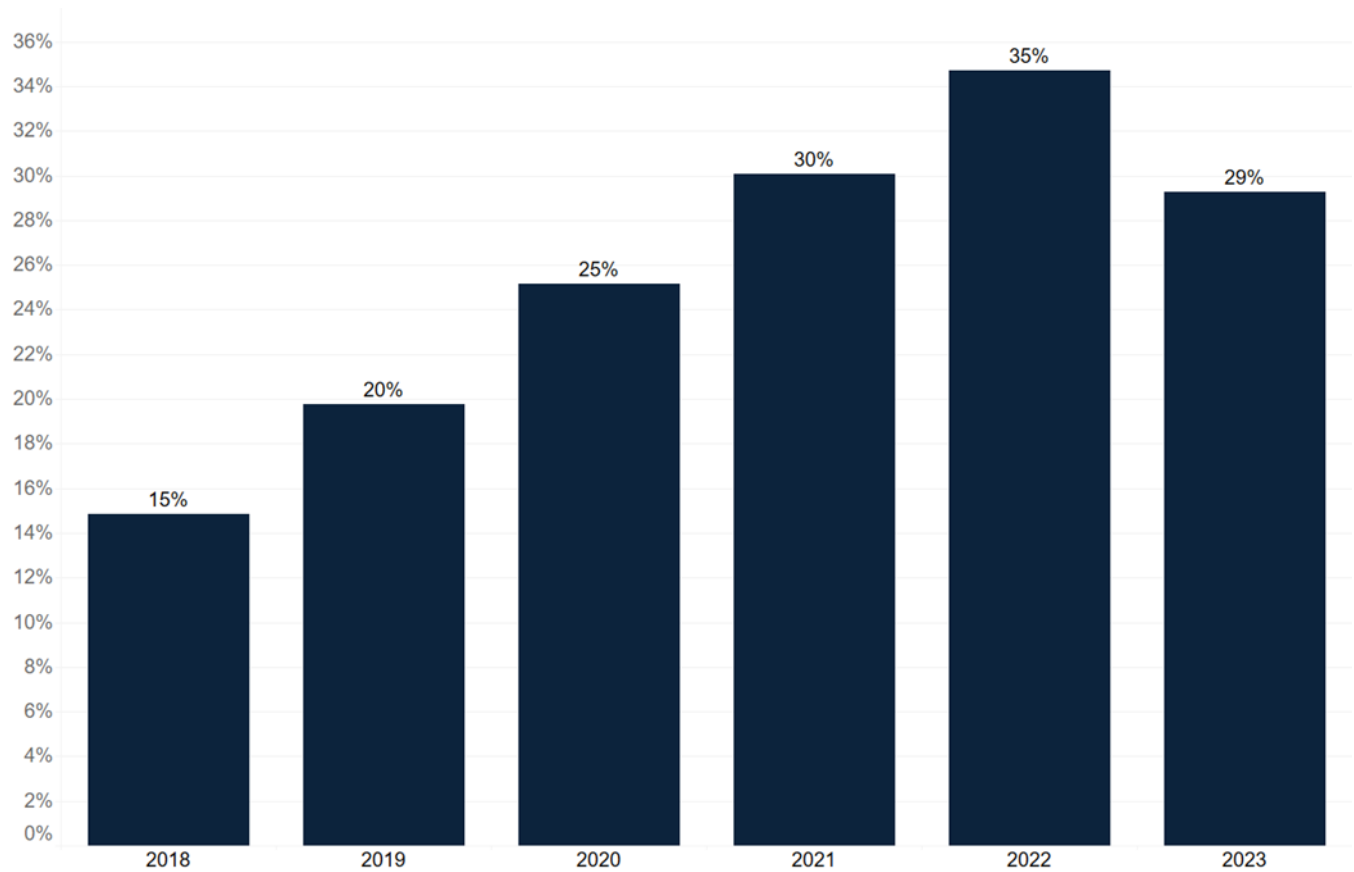
Reserves to Tangible Capital Assets

When a municipality's total reserve position (obligatory reserve funds, discretionary reserves, and reserves) are expressed as a percentage of tangible capital assets, it provides an indication of the municipality's ability to finance the replacement of its tangible capital assets from internal resources.

The Municipality's reserve position relative to tangible capital assets has been growing steadily, increasing by 5% reserves to TCA per year between 2018 to 2022 with a decline from 35% to 29% in 2023.

Source: Municipality of Mississippi Mills Statements of Financial Information (2018-2023), Schedules 10 and 40

Percentage of reserves to tangible capital assets – 2018 to 2023

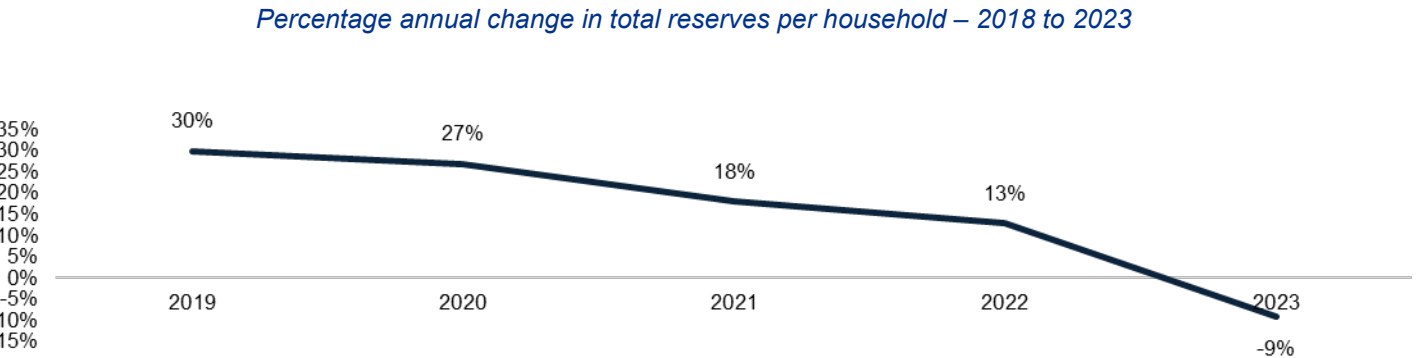
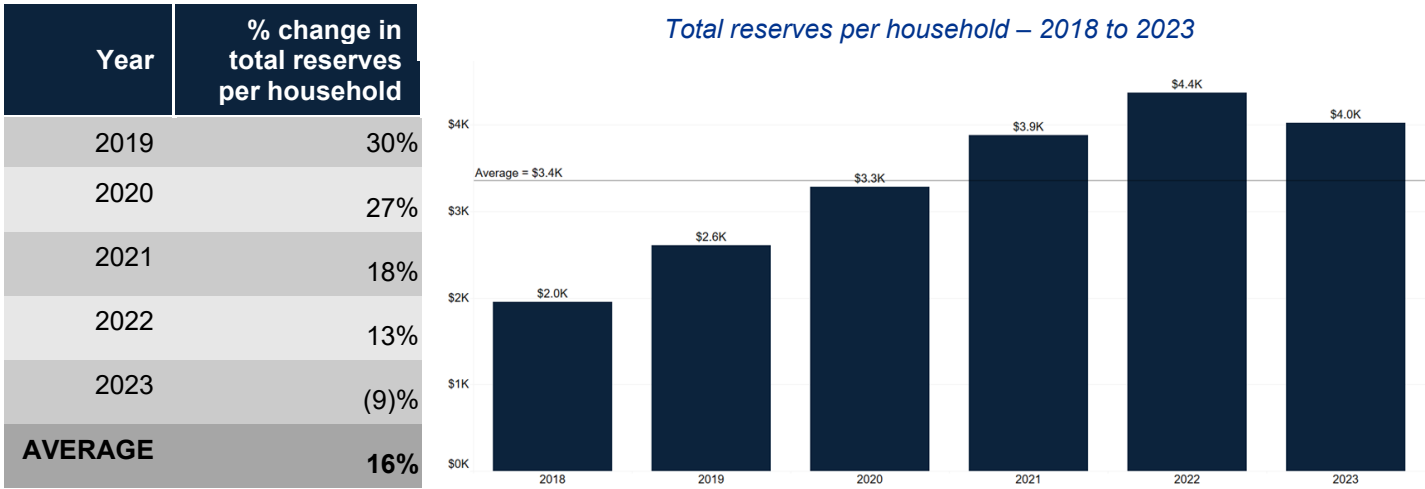


Summary of Reserves and Reserve Funds

The total reserve position illustrates discretionary and obligatory reserves, such as gas tax and development charges. The Municipality has been building its reserve levels year over year, excepting a 9% decline in total reserves per household between 2022 and 2023.

Most notable, contributions to reserves (on a per-household basis) have been steadily declining over the observed period. From a 30% increase in reserves per household between 2019 and 2020, down to a 13% increase between 2021 and 2022. 2023 marked the first contraction in reserves but continued a downward trend in the rate of reserve contribution. However, total reserves per household has doubled between 2018 and 2023.

Source: Municipality of Mississippi Mills Statements of Financial Information (2018-2023), Schedules 10 and 40



Position of Reserves and Reserve Funds

The opening balance of reserves and reserve funds for 2025 is \$16.1M. The most significant fund is the Capital/General Fund (30-3110) which represents 44% of the Municipality's total reserves.

The Municipality saw net withdrawals from its reserve funds, totaling \$3.4M in 2024, resulting in a closing balance of \$16.1M. This closing balance was the lowest level of reserve funds over the previous four years.

The second most significant reserve fund by value is the Reserve for Economic Development (30-3192) with a value of \$2.25M. Based on stakeholder consultation, this reserve fund received its funding through the sale of units in the Municipality's business park, a project which may continue to expand. We understand the reserve fund will be used to finance future projects involving the expansion of the business park.

The only reserve fund reported with a negative closing balance is the Reserve for Recreation which opened 2024 with a balance of \$(116)k and saw appropriations of \$(100)k.

Source: Mississippi Mills Reserves and Reserve Funds Tracking Document, updated February 2025





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