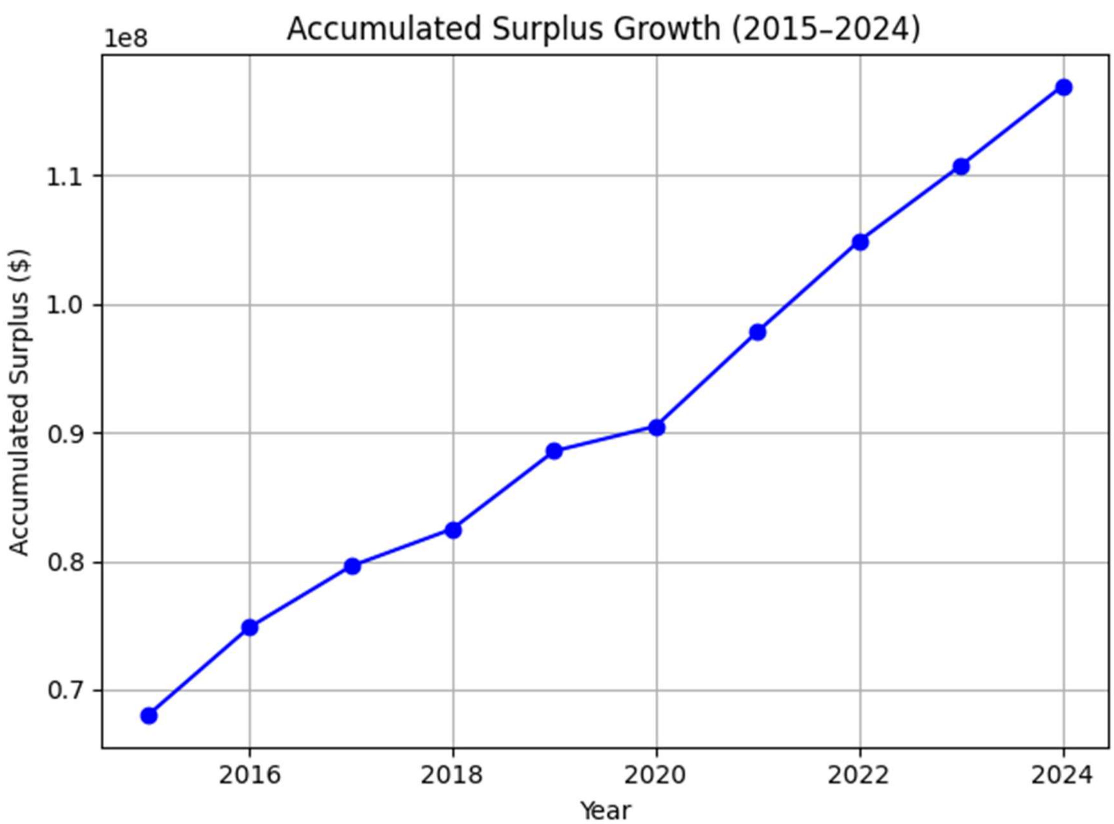
Long-Term Financial Implications of Current Planning

This addendum explains the financial implications that emerge when the RM of Springfield's ten-year audited financial record is compared with the scale of infrastructure spending outlined in recent planning documents. Over the past decade the municipality built considerable financial strength through operating surpluses and growth in accumulated surplus. However, the scale and pace of proposed capital expansion introduces new financial pressures that residents should understand clearly before long-term commitments are made.

For many households in rural municipalities — including farmers, tradespeople, families raising children, and seniors living on fixed incomes — property taxes are a major household expense. Large capital programs can provide important infrastructure benefits, but they also represent long-term financial commitments. When infrastructure spending grows faster than available reserves or revenues, the pressure eventually appears through borrowing requirements or increased taxation.

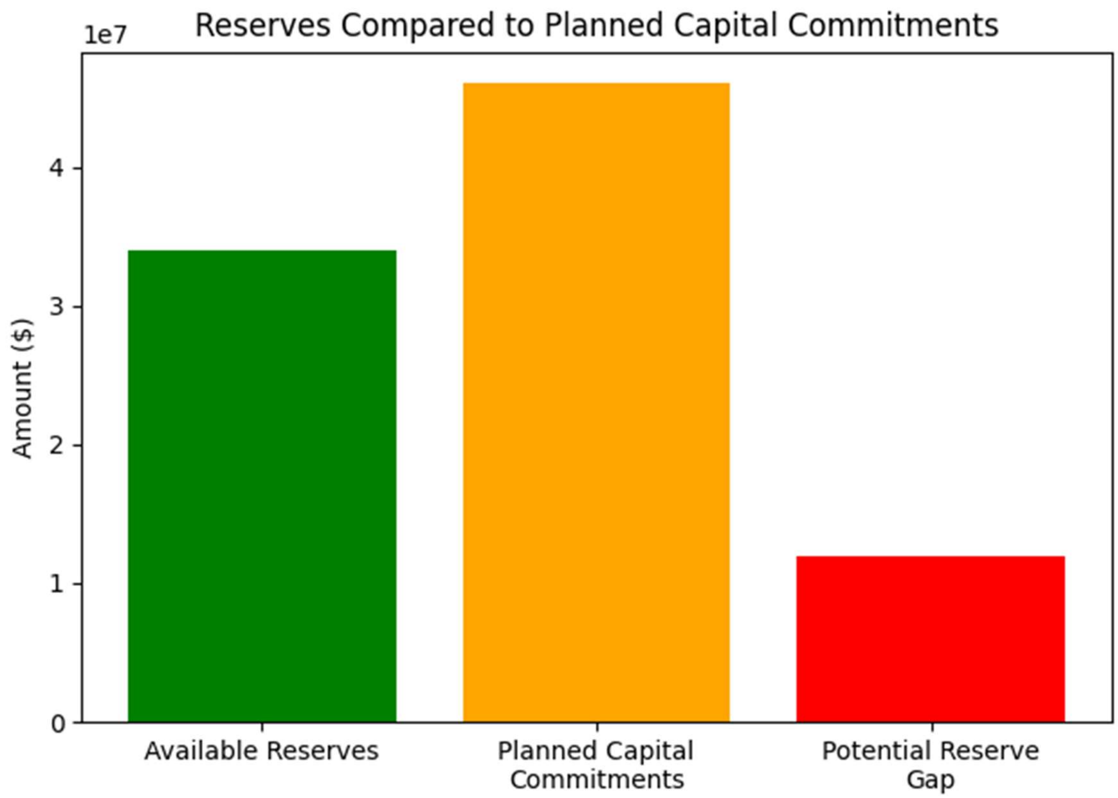
Graph A – Municipal Financial Capacity



Over the past decade the municipality steadily increased its accumulated surplus. Accumulated surplus represents the overall financial strength of the municipality after liabilities are subtracted from assets.

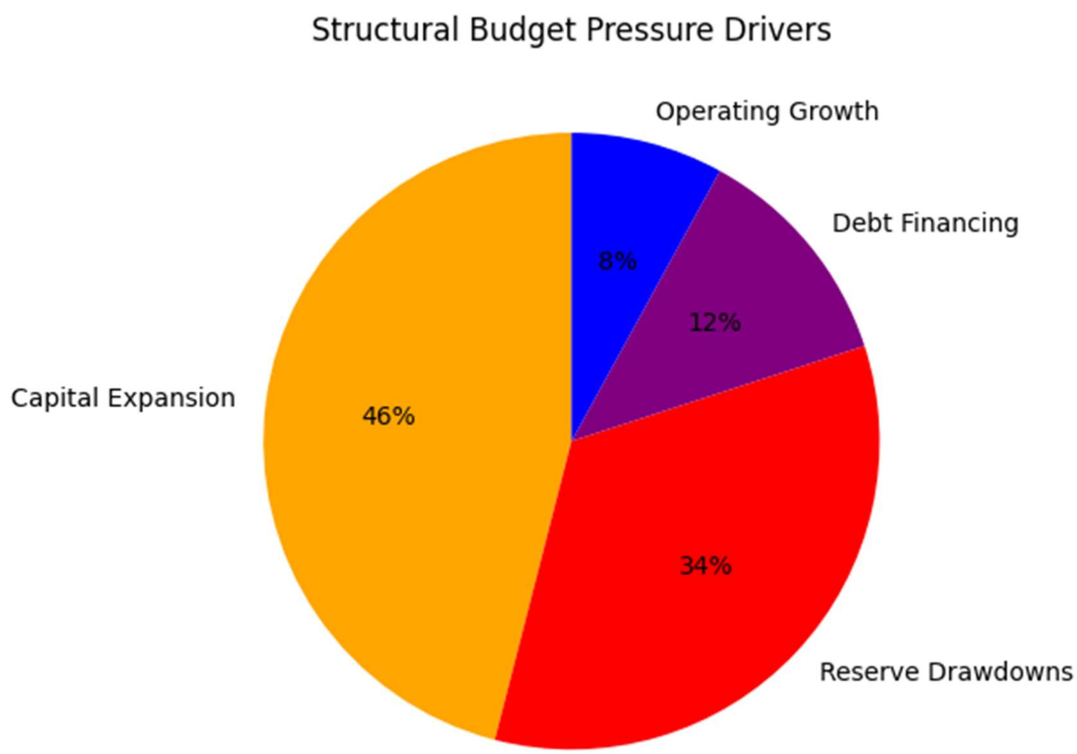
Consistent operating surpluses allowed Springfield to build a strong financial position. This financial strength forms the foundation that supports infrastructure investment and long-term municipal stability.

Graph B – Potential Reserve Pressure



This comparison illustrates how available municipal reserves compare with the scale of proposed capital commitments. Reserves function like savings accounts set aside to fund future infrastructure projects. When planned infrastructure spending exceeds available reserves, municipalities often rely on borrowing or future taxation to fund the difference. Understanding this relationship helps residents evaluate whether financial plans remain aligned with long-term municipal capacity.

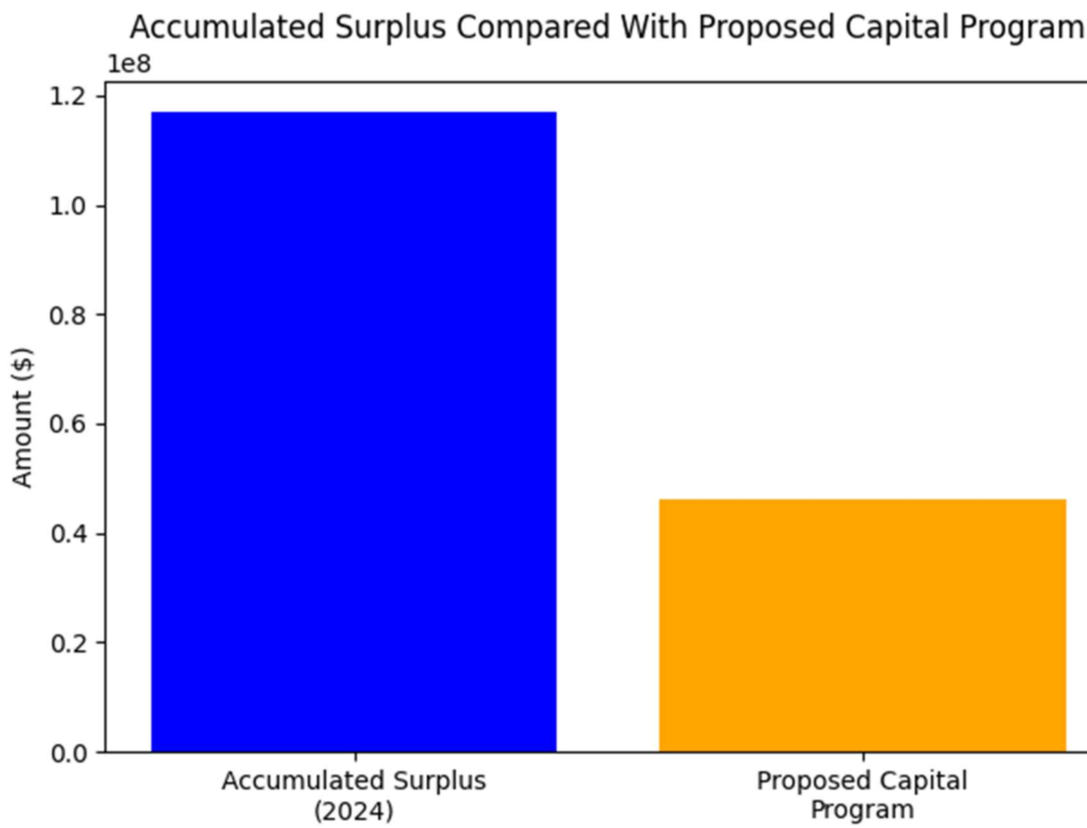
Graph C – Structural Budget Pressure Drivers



Municipal budgets face pressure from several sources including infrastructure expansion, reserve drawdowns, borrowing for capital projects, and growth in operating costs. When these pressures increase faster than revenue growth, municipalities may experience long-term fiscal strain. Careful planning ensures that growth in infrastructure and financial commitments remains balanced with sustainable revenue sources.

Courtesy of Edwin Giesbrecht

Graph D – Financial Capacity vs Capital Ambitions



This graph compares the financial strength built during the last decade with the scale of proposed capital infrastructure programs. Infrastructure investments can provide long-term benefits to communities, but they must remain aligned with financial capacity to avoid placing excessive pressure on future municipal budgets.

Key Financial Signals from the Ten-Year Review

- The municipality recorded recurring operating surpluses during most of the review period.
- Accumulated surplus grew substantially between 2015 and 2024.
- Municipal financial capacity increased steadily through this period.
- Long-term debt declined during portions of the decade.
- Recent planning documents suggest a shift toward larger capital spending commitments.

When these signals are considered together they indicate that the municipality may be entering a new financial phase characterized by larger infrastructure programs and long-term financial commitments. Responsible infrastructure investment requires balancing community growth with financial sustainability so that future generations are not burdened by excessive taxation or debt obligations.

Municipal Financial Trends and Projections: 2015–2026

Comparing recent 2025–2026 projections against the decade-long audited financial history

Financial Comparison & Implications: 2022–2026

This section highlights key periods and budget proposals particularly relevant for residents and council oversight. It compares historical audited results with unaudited 2025 numbers and the 2026 draft budget and reserve allocations, showing trends that may affect services, reserves, and long-term financial sustainability.

1. 2022 Split: Emerging Pressure

- Up to 2021, revenues and expenditures were closely aligned, allowing for stable surpluses and growing reserves.
- In 2022, expenditures began to outpace revenue, signaling the first signs of increasing financial pressure.
- While overall balances remained positive, this split marks the start of trends that require attention as the municipality plans forward.

2. 2024 Audited Results

- By 2024, audited statements show:
  - Accumulated Surplus: ~$116M
  - Liquidity / Cash & Temporary Investments: ~$52M
  - Long-Term Debt: ~$6.6M
- These figures indicate Springfield remained financially stable, supporting operations and capital projects even as the 2022 split began to emerge.

3. 2025 Unaudited Statements

- Preliminary 2025 figures show:
  - Revenue: ~$47.9M
  - Expenditures: ~$44.4M
  - Reserve Use (Operations & Capital): ~$12.5M
- Certain service areas, such as recreation and seniors' programs, show projected increases well above historical norms.

- Implication: The historical buffer is being drawn down more quickly, and residents should be aware that future service levels and reserve sustainability could be impacted.

4. 2026 Draft Budget / "Wish List"

- Draft 2026 allocations include significant use of:
    - General Reserve
    - Vehicle & Equipment Reserve
    - Water Capital Levy Reserve
- Total expenditures projected at ~$49.9M, continuing trends seen in 2025.
- Some operational categories continue to show growth beyond historical precedent, highlighting potential risk to reserves and long-term fiscal stability.

5. Key Observations

Metric	2022 Audited	2024 Audited	2025 Unaudited	2026 Draft	Notes / Implications
Accumulated Surplus	$108M	$116M	$115M est	$113M est	Surplus growth slowing; draft budgets draw heavily from reserves
Cash / Liquidity	$48M	$52M	$47M est	$42M est	Reserves projected to decline sharply if spending continues
Long-Term Debt	$7M	$6.6M	$6.7M est	$7M est	Stable, but borrowing may rise if reserves insufficient
Total Expenditures	$39M	$41M	$44.4M	$49.9M	Spending diverges sharply from historical trend
Reserve Draw	$4.5M	$5.2M	$12.5M	$15M+	Risk of depleting critical reserves
Recreation & Seniors Programs	$3.1M	$3.3M	$15M est	$16M est	Projected increases exceed historical precedent

Values compared to decade-long trend 2015–2024

6. Potential Tax & Risk Implications

- Capital Project Overruns: Large capital projects in 2025–2026 could exceed planned costs due to construction overruns, scope changes, or contractor delays, potentially straining reserves and requiring additional funding from property taxes or borrowing.
- Inflation Impacts: Rising material, labor, and operational costs could increase expenditures beyond budgeted amounts.
- Provincial Assessment Uncertainty: The province's practice of current highest and best use assessments can increase property tax obligations unpredictably.
- Back-End Tax Shifts: Reductions or eliminations of tax benefits, exemptions, or subsidies could further increase the effective tax burden.
- Capital Project Scale: If 2025–2026 projects are executed at their current proposed scale, reserves may be depleted and property taxes may rise unless projects are resized or reprioritized.
- Cumulative Effect: Combined with high projected spending and reserve use, these factors could impact municipal finances and property taxes, emphasizing the need for realistic budgeting, careful review, and community oversight.

7. Summary / Resident Takeaway

- Springfield's finances through 2022 and audited 2024 results demonstrate strong historical foundations.
- The 2025 unaudited statements and 2026 draft allocations highlight emerging pressures that could affect reserves, services, and taxes if projects and spending are not managed.
- Residents now have transparent evidence of these trends, enabling informed oversight and discussion before the 2026 budget readings, and illustrating the importance of evaluating the scale and timing of capital projects to maintain fiscal sustainability.

Courtesy of Edwin Giesbrecht