11. Financial Strategy and Plan

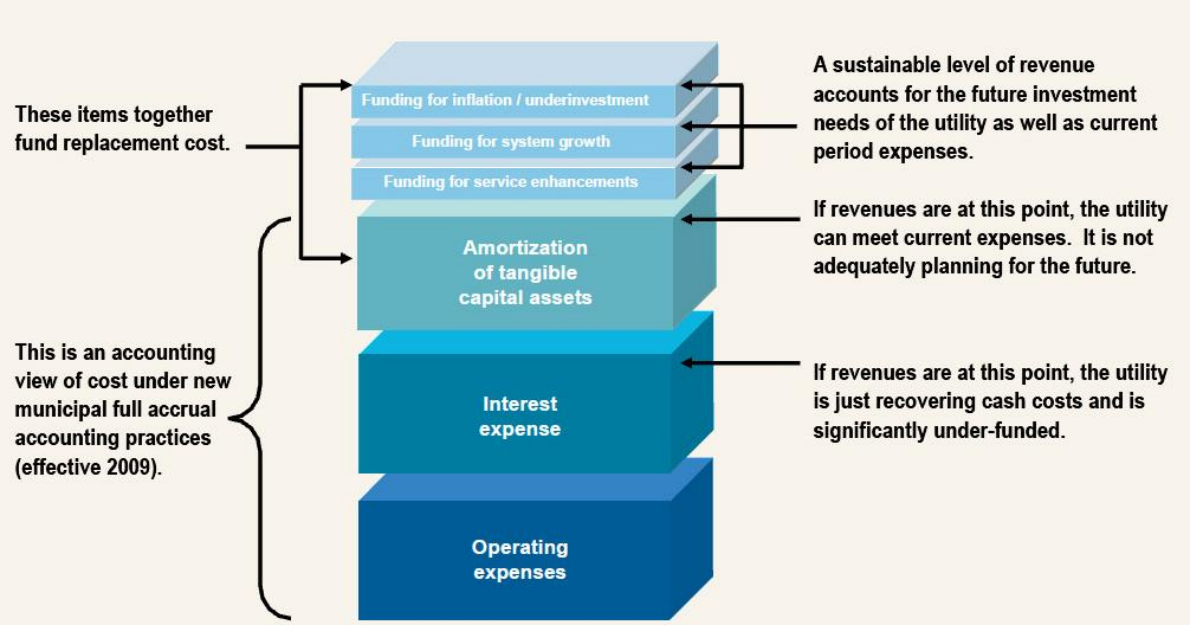
11.1. Financial Plan Overview

Integral to the asset management plan is the financial strategy and plan. The Financial Plan also has to integrate all aspects of costs associated with an asset including;

- Operating
- Interest
- Amortization
- Inflation
- System Growth, and
- System Enhancements

Regardless of asset type, the total funding is comprised of the elements listed above. Figure 11.1, taken from the Province's Building Together document, illustrates the complexity and variety of cost components that combine to form the full funding requirements of an asset.

Figure 11.1: A Building Blocks Approach to Determining Cost



Source: Adapted from Toward Financially Sustainable Drinking-Water and Wastewater Systems, Ministry of the Environment, August 2007

11.2. Financial Strategy

The Building Together guide suggests that a detailed asset management plan:

- shows yearly expenditure forecasts broken down by:
  - Non-infrastructure solutions.
  - Maintenance activities.
  - Renewal/rehabilitation activities.

  - Replacement activities.
  - Disposal activities.
  - Expansion activities (if necessary).
- provides actual expenditures for these categories from the previous two to three years for comparison purposes,
- gives a breakdown of yearly revenues by confirmed source (i.e. loans and senior government grants should not be included unless an agreement has been executed),
- discusses key assumptions and alternative scenarios where appropriate, and
- identifies any funding shortfall relative to financial requirements that cannot be eliminated by revising service levels, asset management, and/or financing strategies, and discuss the impact of the shortfall and how the impact will be managed.

BWG considers that an AMP is a dynamic document and will remain in a continuing state of evolution. As condition ratings, technology, site-specific circumstances and funding levels change, the asset management plan will also. With respect to the above-noted, the Town will integrate those considerations as identified in the following discussion.

11.2.1. Non-Infrastructure Solutions

BWG adheres to the Class Environmental Assessment (EA) regulation when considering the advancement of projects as part of its standard service delivery practice. The Class EA provides for public notification and involvement and further requires the consideration and analysis of alternatives as the final solution. Alternatives include analysis of whether an asset is still required and/or required for the same purpose.

11.2.2. Maintenance Activities and Renewal / Rehabilitation Activities

Maintenance and renewal / rehabilitation activities have been combined for this discussion as definitions can vary between departments and may be a reflection of a cost threshold rather than the nature of the activity.

The Town has begun to implement a computerized maintenance management system (CMMS). WorkTech Pearl: Equipment & Fleet and Requests & Work modules will allow staff to schedule preventative maintenance activities and record emergency repair activities on all asset groups, starting with water and wastewater assets. Once the project is complete, additional modules will be added for the development of appropriate funding levels, and system performance at varying funding levels. The software's performance modeling capabilities will be used to develop maintenance and replacement program recommendations and provide information on the longer term effect on the overall road system.

Essentially the model will provide a recommended treatment based on Return on Investment, current or projected condition of each asset, current recommendation, and current funding level. The analysis will be based on the current unit costs for activities and anticipated effect on the asset if the treatment is applied.

Maintenance and renewal / rehabilitation activities for road assets can include;

- crack sealing,
- slurry sealing, micro surfacing,
- renewal of the surface wearing course (resurfacing),
- visual inspections,
- removal and replacement of all asphalt, including minor drainage improvements,
- new technologies that may be used in lieu of replacement of both layers of asphalt, such as cold-in-place recycling or expanded asphalt. The structural value and lifecycle effect of new technologies will need to be investigated further before including them in the overall model for road assets.

Maintenance and renewal / rehabilitation activities for structure assets can include;

- crack sealing,
- pave and waterproofing the bridge deck,
- minor rehabilitation, expansion joint replacement,
- regular inspections.

Maintenance and renewal / rehabilitation activities for road crossing culverts can include;

- stream bed restoration,
- debris removal,
- erosion protection,
- crack sealing,
- repaving.

Maintenance and renewal / rehabilitation activities for water linear assets can include;

- regular flushing,
- spot repairs,
- exercising and maintenance of valves,
- flow testing, pressure testing.

Maintenance and renewal / rehabilitation activities for wastewater linear assets can include;

- regular flushing,
- video inspection (CCTV),
- spot repairs.

Maintenance and renewal / rehabilitation activities for stormwater linear assets can include;

- regular flushing,
- removal of calcite,
- video inspection (CCTV),
- spot repairs.

Maintenance and renewal / rehabilitation activities for stormwater management facilities can include;

- bathymetric and aerial surveys,
- excessive vegetation removal and control,
- structural repairs (headwalls, inlet, outlet, spillways and emergency overflows),
- water sampling and monitoring,
- general performance monitoring (following significant events),
- removal (dredging) of excessive sediment,
- maintenance of berms.

Maintenance and renewal / rehabilitation activities for fleet can include;

- regular preventative maintenance
    - oil changes
    - rotate tires
    - change filters
- unplanned maintenance
    - repair tire
    - replace blown hoses
    - engine repairs

Maintenance and renewal / rehabilitation activities for facilities can include;

- cleaning washrooms,
- vandalism repairs,
- exterior lighting and repairs,
- parking lot maintenance.

Maintenance and renewal / rehabilitation activities for parks can include;

- garbage removal and clean-up,
- arboriculture operations,
- turf and trail maintenance,
- playscape maintenance and repair.

Maintenance and renewal / rehabilitation activities for transit can include;

- regular vehicle recommended maintenance,
- unplanned vehicle maintenance,
- sign repair,
- concrete (bus pad) repair.

11.2.3.Replacement Activities

Replacement activities will be different for each asset group. A bridge or linear asset, such as water, wastewater or stormwater pipes, will have to be abandoned or removed completely. Road, stormwater facilities, fleet, building and park assets will usually have some element that remains or is salvageable. For instance, a building may have a roof replaced but the other building elements may be repaired or

replaced on a different schedule. Some assets will have components replaced but at the end of their useful life, will be completely replaced (ie. fleet, playground structures, etc.).

11.2.4. Disposal Activities

Disposal activities will be different for each asset group. The disposal of a road cannot be accomplished in the same manner as a piece of equipment; the road allowance is the road allowance and even if rehabilitation occurs, the road is never completely removed and rarely closed completely. Assets with a land component, such as parks and SWM facilities, will retain the land even if the playground structure or playing surface is removed unless the land is sold. Buildings can be declared as surplus and sold as well. Structure and fleet disposal is complete at the end of the service life. Similarly for the water, wastewater, and stormwater linear assets.

11.2.5. Expansion Activities

In concert with the non-infrastructure solutions, expansion requirements will be a consideration in the final project detail. BWG will consider Master Plans, Servicing Studies and the Development Charge Background Study, 2014, as elements of any project going forward. The studies and plans are based on a twenty-year growth forecast that projects increases in population, housing units, and non-residential floor area. The anticipated growth and infrastructure expansion in the twenty year period will be incorporated into the final decision at the project level on a site-specific basis.

11.2.6. Funding Sources

The Town will consider all funding options in order to maintain and enhance the overall condition of the asset groups. Funding sources will include:

- operating budgets,
- reserves and reserve funds,
- debenture financing (debt),
- Gas Tax,
- grants.

Reserves and reserve funds include obligatory reserve funds, discretionary reserve funds, and reserves. They are a critical component of long-term financial planning and used to maintain a stable financial position, minimize fluctuations in the tax rate and to support future cash requirements. They are funded through annual contributions from the operating budget as well as external sources. Reserves and reserve funds are a key funding source for capital infrastructure with 86% of the 2016 capital budget funded from reserve and reserve funds including development charges.

Obligatory reserve Funds are required to be kept by the Town for a legislated purpose, or funds received for a specifically defined purpose. Obligatory reserve funds are created solely for the purpose prescribed for them (i.e. Development Charge Reserve Funds).

Discretionary reserve funds are segregated from the general revenues of the Town but are established based on Council direction and used to finance specific future expenditures or to fund specific contingent liabilities (i.e. Municipal Asset Sale Reserve Fund).

A reserve is an allocation of accumulated net revenue. It has no reference to any specific asset and does not require the physical segregation of money or assets. Reserves are part of the Town's overall revenue fund and therefore any interest on their balances is retained as revenue in the overall operating fund. The Town maintains reserves and reserve funds designated for specific purposes as approved by Council. Examples of Town's Reserves are Capital Expenditures Reserve and Fleet Reserve.

A 1% Special Capital Replacement tax levy was approved in 2013 to address the shortfall in capital asset replacement funding. Cumulative 1% increases (Table 11.2) have been implemented in subsequent budgets to close the infrastructure funding gap and replenish the Capital Replacement Reserve balance in support of capital assets as part of the asset management funding strategy.

Table 11.2: Annual Estimated Capital Levy

Year	Rate	Estimated Annual Levy
2016	4%	$2,104,035
2017	5%	$2,669,590
2018	6%	$3,235,145
2019	7%	$3,800,700
2020	8%	$4,366,255

Debenture financing is a common tool utilized by municipalities. Ontario municipalities are limited by the Province with respect to the amount of debt they can issue. The limit is set at 25% of the municipality's annual total own net revenue sources. As stated in the 2016 Budget and Business Plan, the Town debt limit is 6.8% of which 2.5% will be paid by property taxes and 4.3% will be paid for by development charges. It is expected that the Town will need to issue $5.16 million in debenture over the next 5 years bringing the limit to a maximum 9.1% by 2017, well under the provincial limit.

The federal Gas Tax Fund (GTF) is predictable, long-term, funding for Canadian municipalities to invest in local public infrastructure, as part of the renewed Building Canada Plan (2014-2024). Gas Tax funds received by the Town are applied to eligible projects defined in the gas tax agreement, such as road and bridge reconstruction. The dedicated Gas Tax for transit can be used for bus procurements and contractual services to operate the Town's transit program.

12. Asset Work Plans

Work plans for most asset groups will need to be developed and / or updated. The use of WorkTech software to model the performance of the linear assets and structures will contribute directly to future work plans. The road, road crossing culvert and structure asset groups have improvement schedules in the Road Needs Study, 2012 and Municipal Bridge Inspection, 2010, respectively. These will require updating to meet legislative requirements, account for recent construction and current unit costs.