

City of Kawartha Lakes Long-Term Financial Plan

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Corporate Assets Division Profile

- Created on January 1st, 2014 as part of the Department of Corporate Services:
 - Asset Management and Capital Planning
 - Long-Term Financial Planning
 - Capital Budgeting
 - Development Charges and Capital Charges
 - Master Planning Coordination and Support
 - Major Capital Grants
 - Various Economic Analyses
- Incorporated into the new Department of Engineering and Corporate Assets, effective January 1st, 2016.

Corporate Strategic Plan (2016-2019)

- Provides for the City's overall corporate direction.
 - Vision, mission and values
 - Strategic priorities
 - Strategic enablers
- Sets the corporate context in which to provide municipal services.
- Provides the basic foundation for the following successive initiatives:
 - Core Service Review and establishment of service levels
 - Asset Management Plan
 - Long-Term Financial Plan
 - Capital and Operating Budgets

Core Service Review

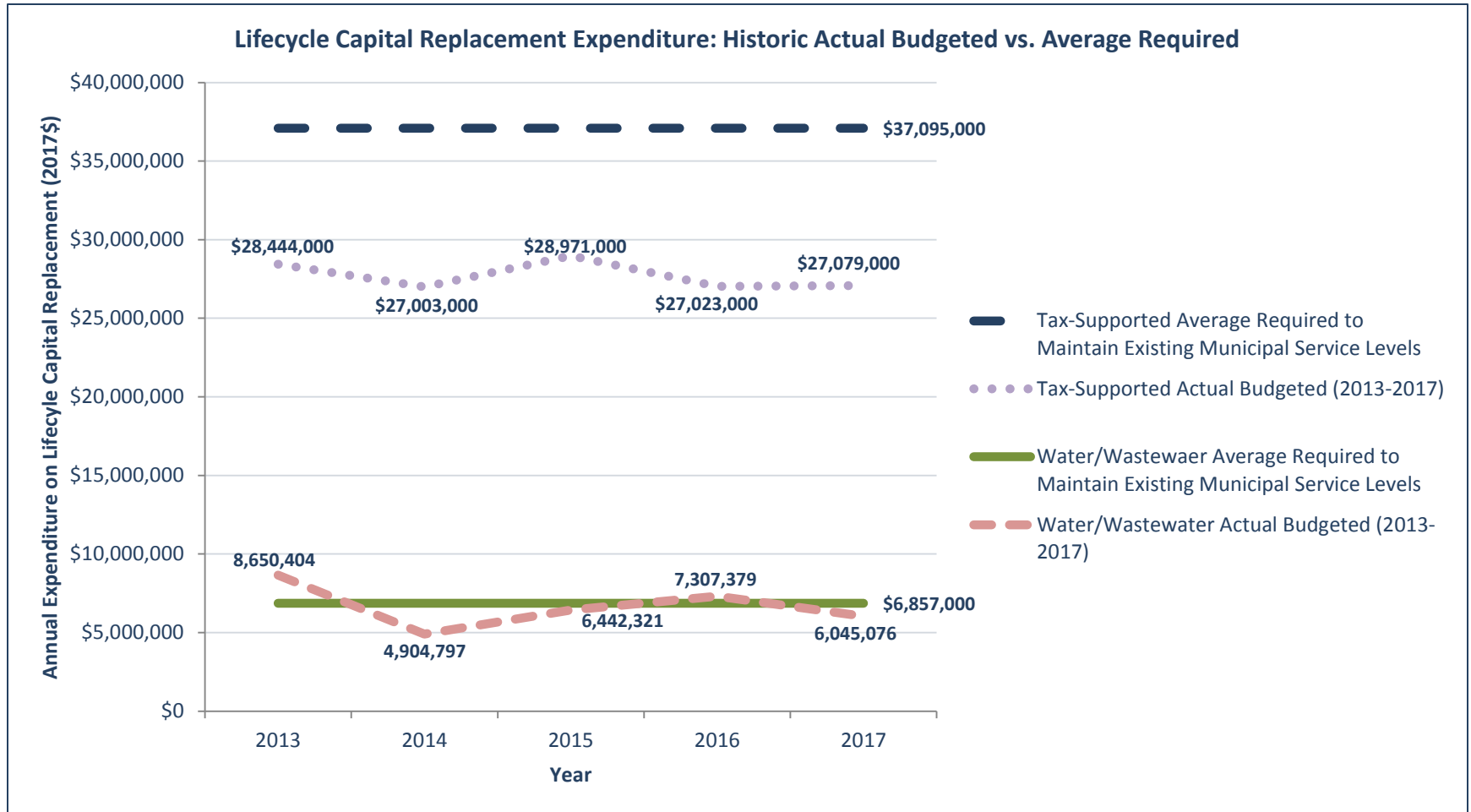
- Conducted over 2015-2017.
- 49 distinct municipal services reviewed for alignment with the Corporate Strategic Plan.
- Established service levels for many municipal services.
- Informed various strategic documents:
 - Asset Management Plan
 - Long-Term Financial Plan
 - 2018 Capital and Operating Budgets

Asset Portfolio Profile

Replacement Cost of Asset Portfolio by Asset Class (2017\$)*				
Asset Class	Tax-Supported	Water	Wastewater	Total
Natural Resources	399,768,525	5,185,320	7,777,980	412,731,825
Infrastructure	1,887,889,825	236,989,729	269,986,409	2,394,865,963
Facilities	282,170,583	14,124,000	9,213,000	305,507,583
Equipment	102,671,535			102,671,535
Total	2,672,500,468	256,299,049	286,977,389	3,215,776,906

*Includes depreciable and non-depreciable assets, and excludes social housing assets. Water and wastewater portions of natural resources are based on approximate land value shares.

Lifecycle Capital Replacement: 2013-2017



Tax-Supported Infrastructure Deficit: 2017

Capital Replacement Need and Expenditure Summary				
AMP Asset Category (Excluding Police)	2017			
	AMP	Budget	Deficit	Deficit Share
Roads	21,755,000	17,066,839	4,688,161	47%
Machinery & Equipment	1,641,000	905,200	735,800	7%
Facilities	4,987,000	3,435,172	1,551,828	15%
Land Improvements	2,464,000	2,880,000	-416,000	-4%
Vehicles	5,755,000	2,292,000	3,463,000	35%
Total	36,602,000	26,579,211	10,022,789	100%

Symptoms of the Problem

- Recent capital failures and emergencies:
 - Emergency rehabilitation of City Hall and Coboconk Medical Centre roofs.
 - Ministry of Labour order and emergency rehabilitation of sand domes.
 - Hazardous conditions and emergency demolition of Hartley Roads Depot.
 - Near failure and urgent interim micro-resurfacing of airport runway.
 - Gravel road surface failures, especially during spring thaw.
- Highly deficient reserves at 2017 year-end:
 - Capital reserve depleted: \$9.2M needed vs. \$150K available
 - Contingency reserve low: \$2.0M needed vs. \$1.0M available

Quantifying the Problem

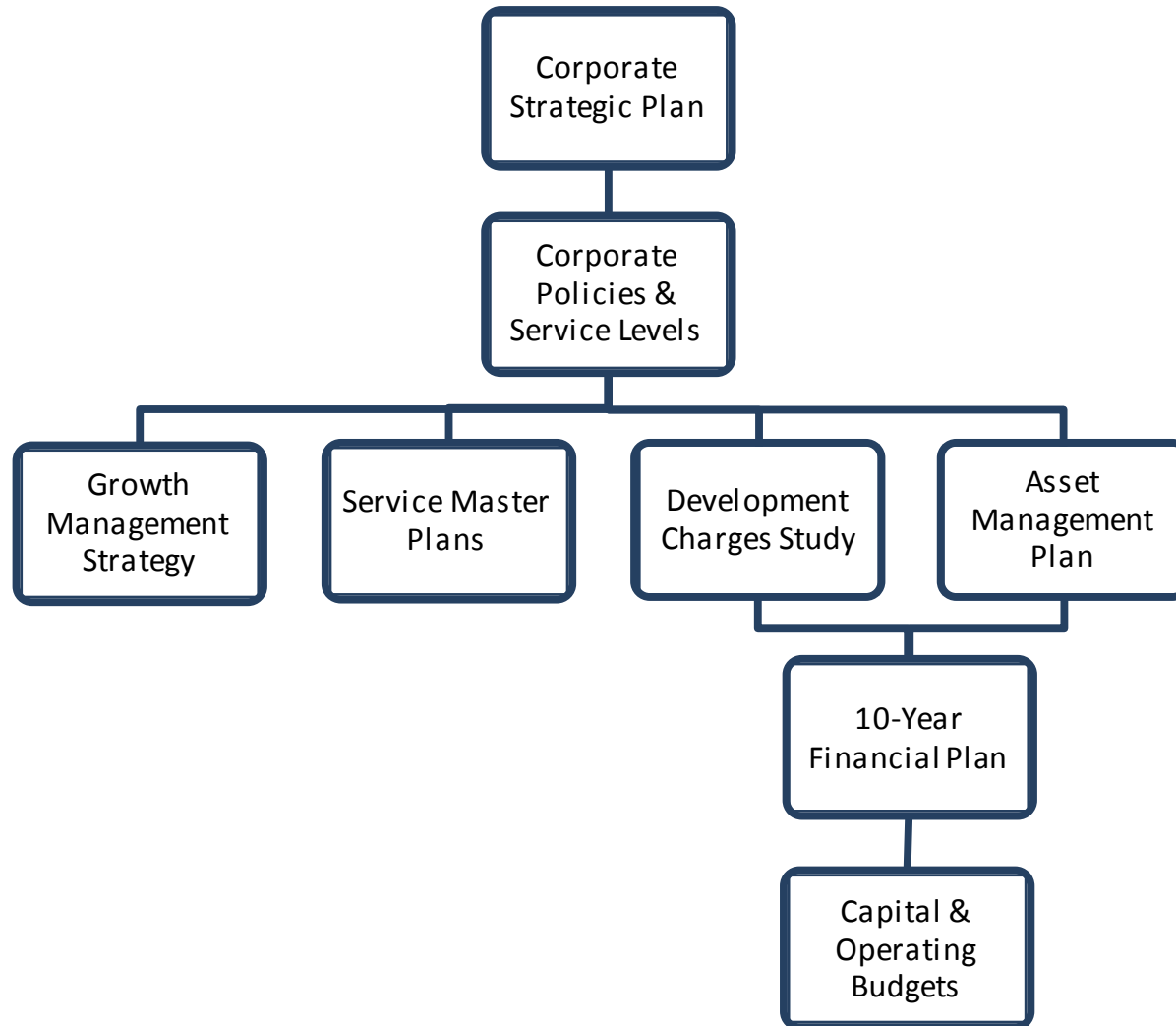
- Recurring
 - \$10.0M infrastructure deficit.
 - \$6.6M in immediate operating pressures.

- Non-recurring
 - \$9.1M capital reserve deficiency.
 - \$1.0M contingency (general operating) reserve deficiency.

Function of the Long-Term Financial Plan

- Forecasts the City's financial course based on the Asset Management Plan (AMP) and overall financial circumstances.
- Provides for a prudent, stable, affordable and flexible approach to achieving and maintaining long-term financial sustainability.
- Provides a context in which short-term decisions can be made with appropriate consideration for the City's long-term financial health.
- Provides a guiding framework for budget development and for achieving long-term financial sustainability.
- A living document that balances adaptability with consistency.
- To be reviewed and updated annually for Council (ahead of budget season).

From the Strategic Plan to Budgets



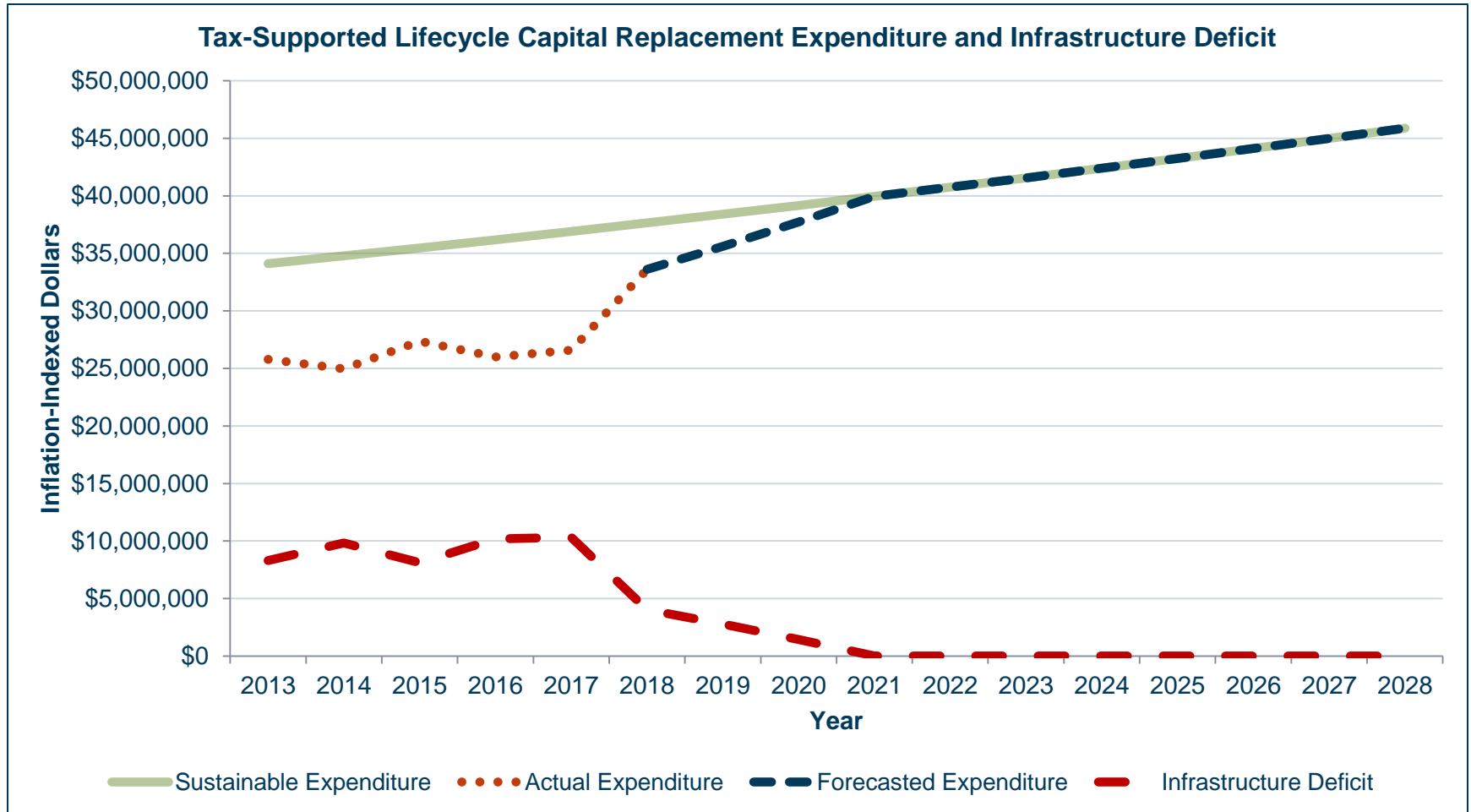
Objectives and Principles of the Long-Term Financial Plan

- Strategic objectives:
 - Eliminate the infrastructure deficit.
 - Build sustainable tax and utility rate support.
 - Build robust capital and operating reserves.
 - Rationalize and optimize capital and operating financing.
 - Minimize service deficiencies.
 - Manage asset-related risk.
- Guiding principles:
 - Financial prudence.
 - Ratepayer affordability.
 - Tax and user rate stability.
 - Consistency-adaptability balance.

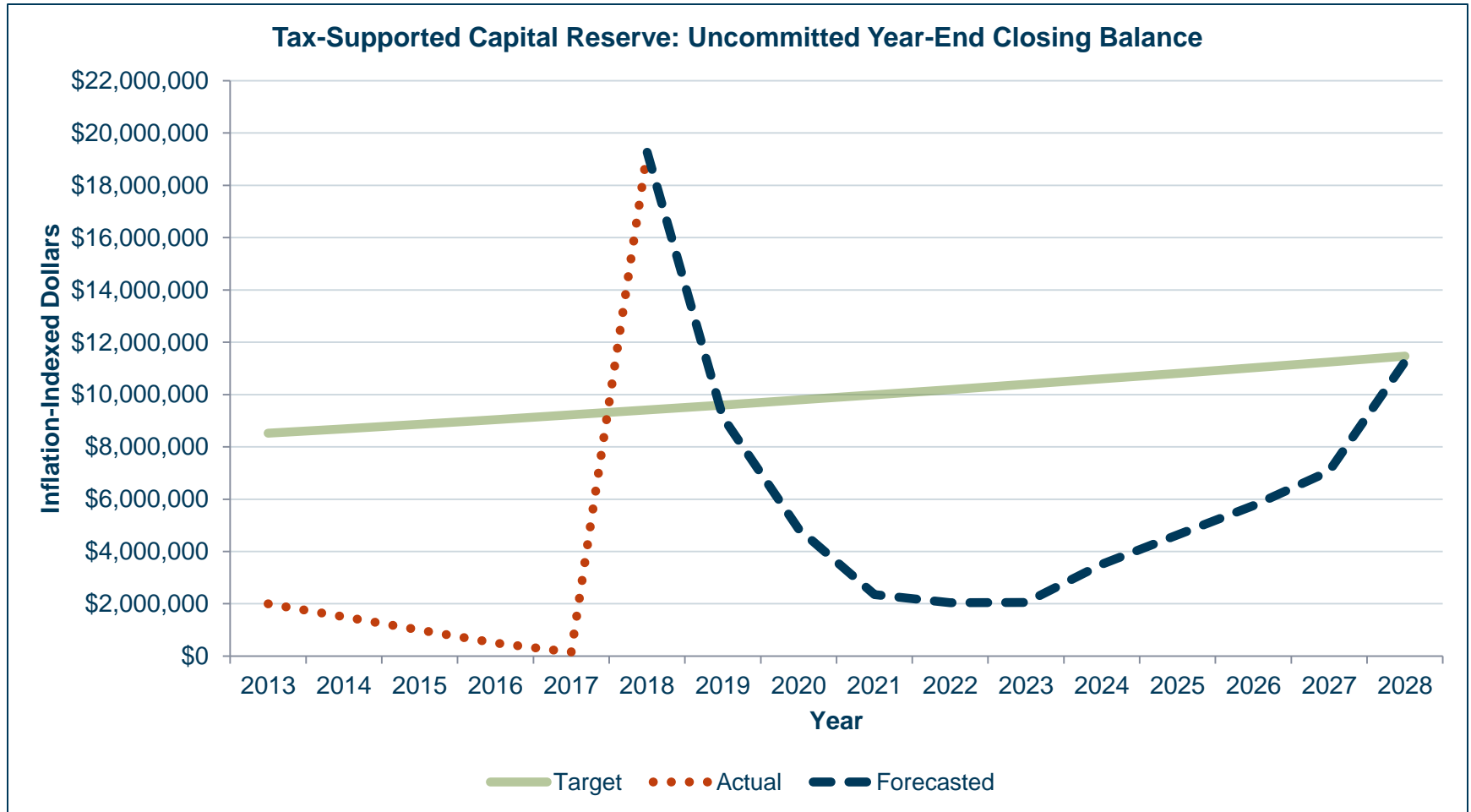
General Strategies in the Long-Term Financial Plan

- Employ a flexible and gradual approach to achieving long-term financial sustainability.
- Spread the tax-related impact of the operating pressures over several years:
 - \$4.8M in tax levy support shifted from capital to operating in 2018.
 - Transitionally heavy reliance on capital reserve and tax increases until the infrastructure deficit is eliminated.
 - Capital reserve infused with \$25M debenture in early 2018 to facilitate the transition (repayment of \$2.9M/year for 10 years).

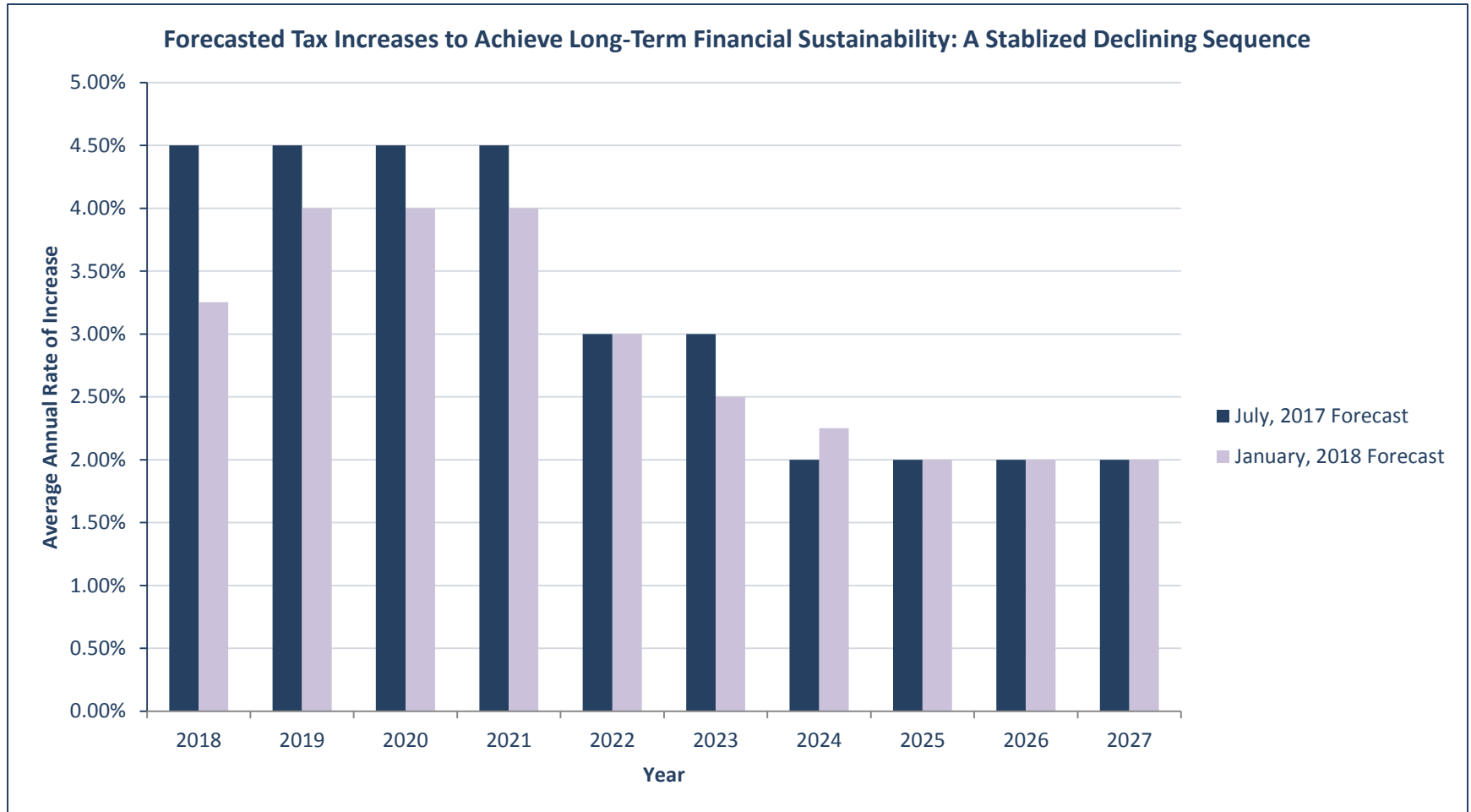
Tax-Supported Capital Replacement Expenditure and Infrastructure Deficit



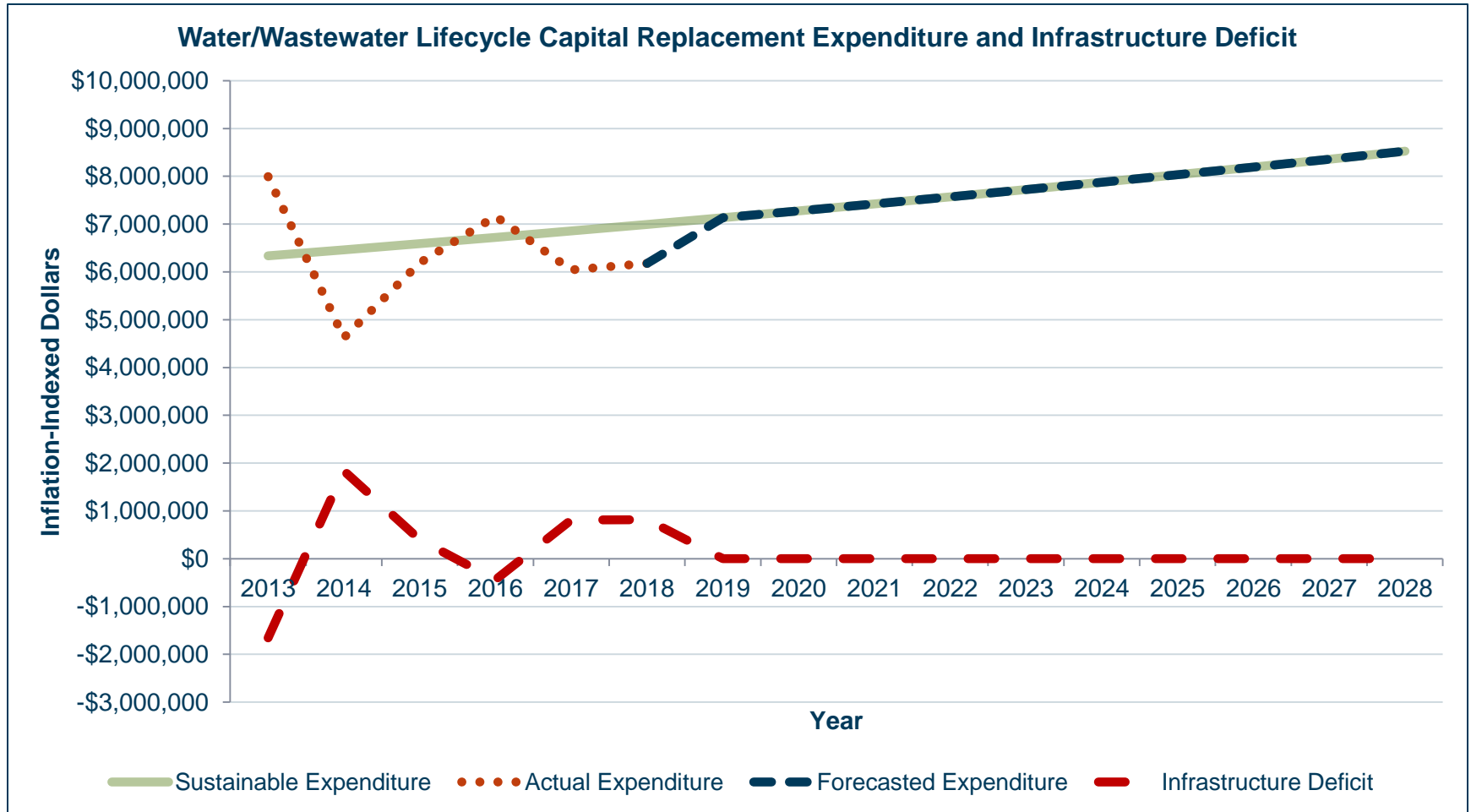
Tax-Supported Capital Reserve



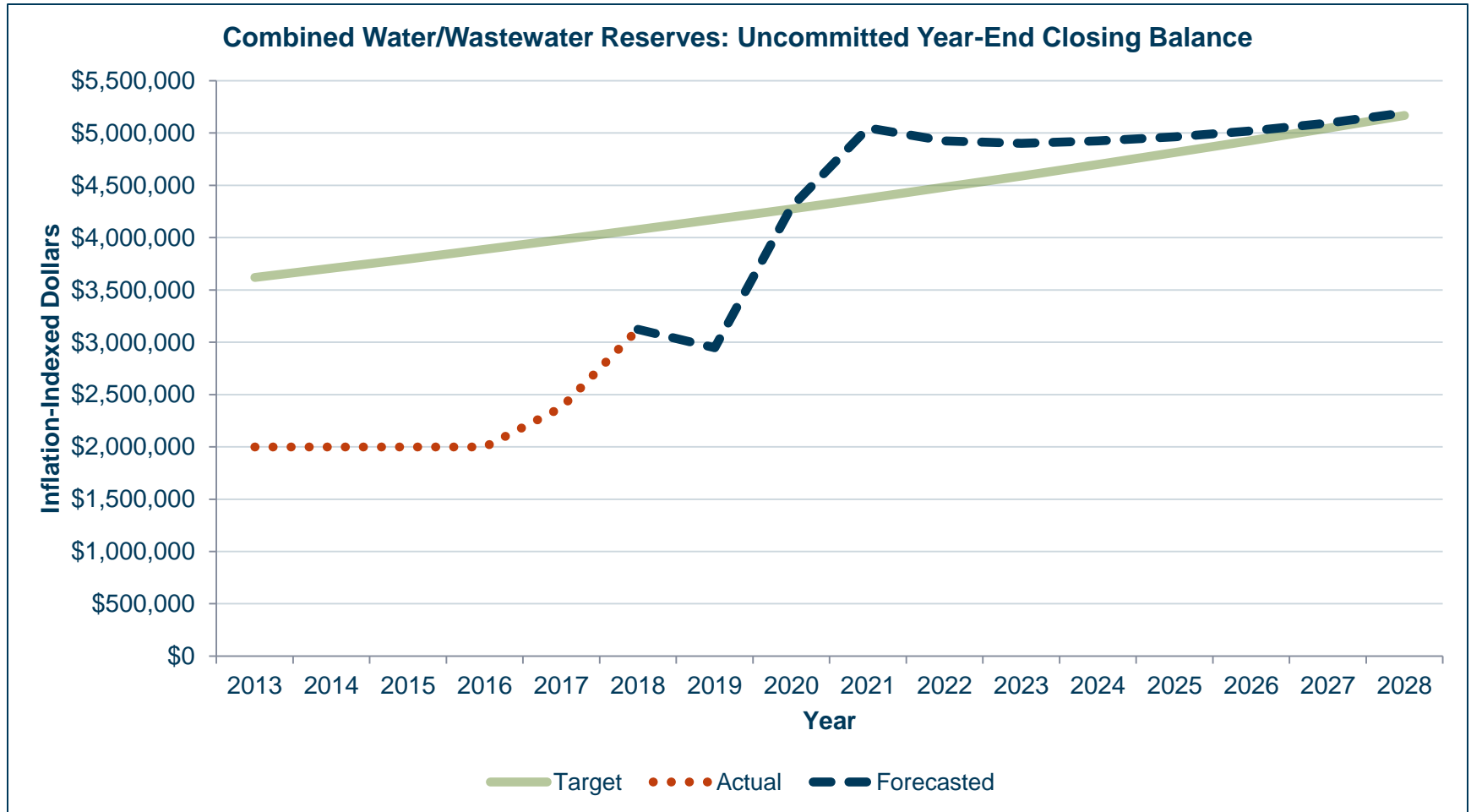
Forecasted Tax Increases



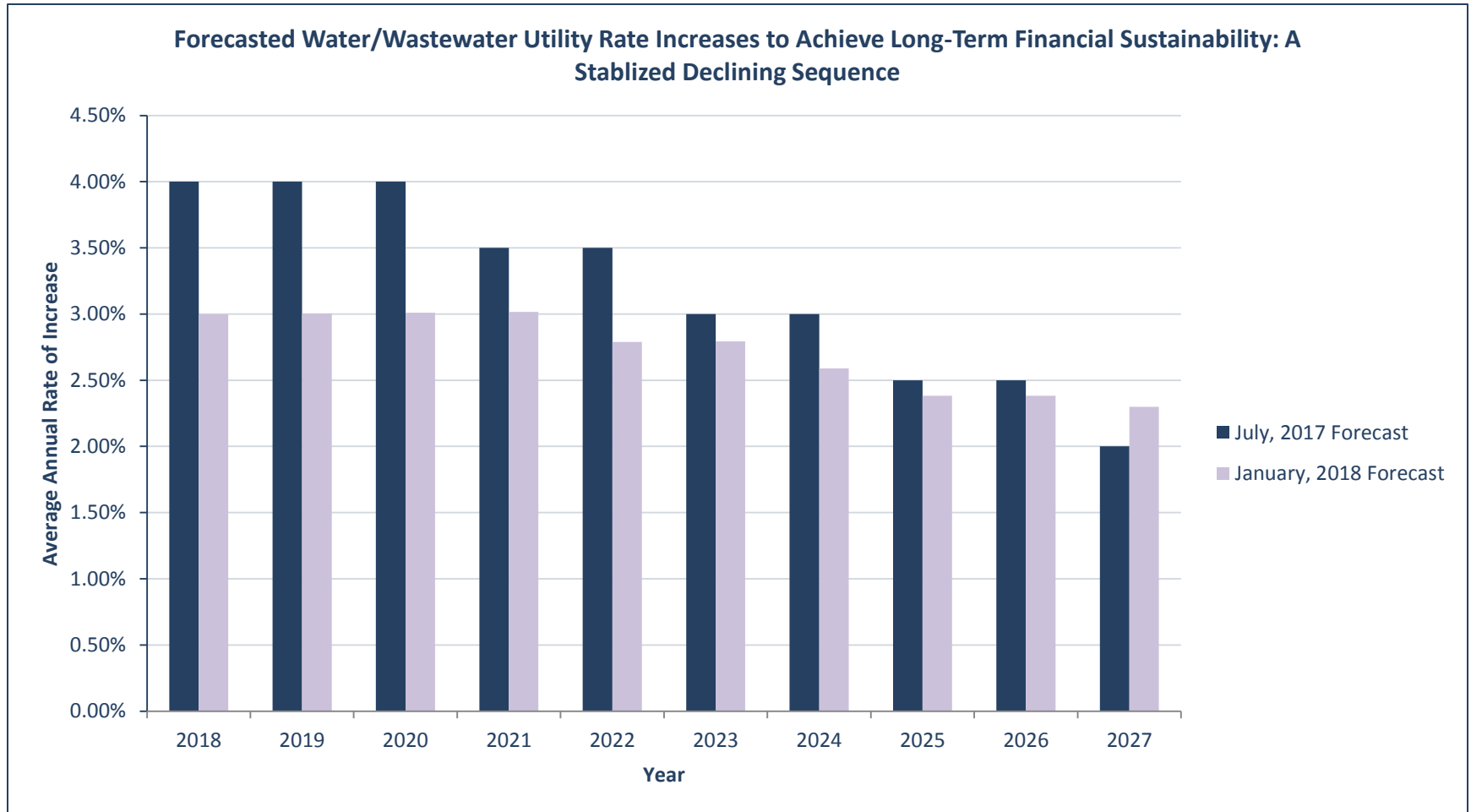
Water/Wastewater Capital Replacement Expenditure and Infrastructure Deficit



Water/Wastewater Reserve



Forecasted Water/Wastewater Utility Rate Increases



Highlights of the Long-Term Financial Plan

- Transition debenture avoided for water/wastewater:
 - \$5.8M Small Communities Fund grant (Lindsay cast iron watermains).
 - \$1.4M Clean Water and Wastewater Fund grant.
- Immediate relief of the \$6.6M in 2018-2019 operating pressures.
- Elimination of the \$10.0M infrastructure deficit by 2021-2022.
- Replenishment of the capital reserve to \$11.4M by 2026-2028.
- Financial capacity to take on new major initiatives:
 - Gravel road rehabilitation program
 - Lindsay municipal parking facility
 - Cultural centre
 - Administration centre / consolidation

Conclusions

- Financial plans in existing municipal AMPs are often inadequate:
 - Are often unrealistic and hence ignored (i.e. shelved).
 - Often lack sophistication, prudence, affordability and adaptability.
- Implementation of an AMP is only as good as the supporting financial plan.
 - A clear link between capital needs and financing is required.
 - Operating needs, costs and financing cannot be ignored.
 - Use of grants, debt and reserves must be rationalized and optimized.
- Sound financial plans are now required as per new AM regulation.