

Asset Management Plan Update

Board of Directors

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GM of Corporate & Fin. Services/CFO



Lake Simcoe Region
conservation authority



Member of Conservation Ontario

Asset Management – Presentation Outline

1. Executive Summary
2. Summary of Progress
3. Preliminary Financial Findings
4. Summary of Asset Management Reserve Situation
5. LSRCA's Infrastructure Gap
6. Options to Ensure Sustainability
7. Next Steps and Timelines
8. Questions



Executive Summary

1. Asset Management update is providing preliminary financial information, with staff bringing back the financial strategy in Q1/Q2 2021.
2. Preliminary Infrastructure Gap is \$29.4 million.
3. Staff are NOT requesting any additional investment by our municipal funding partners at this time.
4. Staff will be reviewing mitigation options to lower the costs and explore all funding options.
5. Bridges, dams, trails and other natural assets are not included in the preliminary report.



Progress on Asset Management Planning

1. Asset management Plan and Roadmap
 2. Seek external funding for expert help
 3. Receive consultants Condition Assessment Report
 4. Internal report on equipment and minor assets
 5. Conduct high level funding analysis
 6. Identify preliminary infrastructure gap
 7. Re-evaluate options to address the gap
 8. Recommend a financial strategy to the Board
 9. Communicate with Municipal Partners
- Done!
- Updating today!
- Q1/Q2 2021



Preliminary Financial Findings

1. Total 25 year Asset replacement cost is estimated at \$36.04 million
2. Consultants report on Mabel Davis, Scanlon Creek and Sheppard's Bush: \$12.98 million
3. Equipment, Furniture, Vehicles etc : \$23.06 million
4. Asset replacement costs include inflation of 3%
5. Current Contribution to asset replacement:
 - a) \$177K in 2020
 - b) \$6.6 million over 25 years, with 3% inflation



Summary of Reserve Situation

1. Based on Q3 financial report, the asset management reserve will have a balance of \$300K to start 2021.
2. Draft reserve targets for long term asset management replacement is 100% for year 1, 75% for 10 years and 60% of the 25 year cost.
3. New capital is funded separately through the Working Capital reserve. Any new capital will increase the total cost of asset replacements
4. Steady contributions to Asset Management reserves will reduce large, unpredictable funding requests



LSRCA's Infrastructure Gap

1. Preliminary infrastructure gap is \$29.4 million, based on the consultants report and staff's internal review
2. LSRCA's Infrastructure gap is consistent with the experience of most municipalities, due to Reg 588-17
3. Joint (shared) assets vs sole responsibility
4. Staff will begin the process of mitigating the infrastructure gap and developing a sustainable funding strategy for the Board to endorse in 2021



Options to Ensure Sustainability

1. Asset Rationalization
 - a) Link to disposition strategy
 - b) Replace all assets?
2. Adjustment to Revenue Recognition (deferred revenue)
3. Review the useful life of all assets
4. Alternate funding options
5. Revisit all lease vs buy options



Next Steps and Timelines

1. Staff will review all mitigation options in an attempt to lower costs
2. An Asset Management financial strategy will be tabled to the Board of Directors by Q2 2021
3. Staff will reach out to finance staff at our municipal partners to ensure proper communication of the Asset Management financial strategy
4. Staff will use the financial strategy to inform LSRCA's new 10 year capital plan, with any budget implications starting in the 2022 Budget

Revisiting the Executive Summary

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Questions?