

Asset Management Financial Update

Board of Directors

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Lake Simcoe Region
conservation authority



Member of Conservation Ontario

Asset Management – Presentation Outline

1. Executive Summary
2. Context Setting: Review of Initial Work
3. What staff have been doing – Mitigation Strategies
4. Impact of the Mitigation Work by Staff
5. Updated Financial Picture
6. Staff Recommendations and Next Steps
7. Questions



Executive Summary

1. The report builds off the preliminary Asset Management report from December 2020.
2. Despite inflationary pressures, staff efforts have shrunk the infrastructure gap from \$29.4 million to \$13.6 million over 25 years.
3. Continued investment is still required; staff recommend keeping the 0.5% infrastructure levy in the 2025 Budget
4. Staff will continue to monitor the infrastructure gap and report back again in 2029 (earlier if necessary)

Context: Building on our Initial Work

1. Used AW Hooker for building condition assessments, the initial infrastructure gap was \$29.4M
2. Replacement costs were high and contribution levels were low
3. Asset Management reserves were low (Jan 2021: \$300K); well below short and long-term targets
4. Inflation assumption was moderate at 3% annually
5. Staff began to examine mitigation strategies to ensure sustainable funding of the asset management plan



Mitigation Strategies to address the Gap

1. Asset Rationalization
2. Examine options around deferred revenue
3. Review and adjust useful life of assets to better align with industry best standards
4. Make progress on Land Disposition Strategy
5. Examine all external funding options, relying on increasing tax levy only as a last resort
6. Revisit all lease vs buy options



Impact of the Mitigation Strategies

1. Reducing asset replacements (no longer needed): \$1.3M
2. Changes to deferred revenue (revenue recognition) at 2023 year-end has made \$1.0M available in reserves
3. Adjusting useful life of assets to better align with industry best practices: \$1.0M
4. Disposing of asset obligations on land outside the Acquisition/Disposition Strategy: \$2.3M
5. Increasing reserves, establishing priority annual levy funding, contribution agreements and 0.5% infrastructure levy: \$17.7M



Updated Financial Picture

Estimate Cost of Asset Replacement	2025	10 Year	25 Year
Costs related to Buildings*	\$343K	\$5.3M	\$14.8M
Non-Building Assets	\$70K	\$6.6M	\$23.1M
TOTAL Asset Replacement Costs	\$412K	\$11.8M	\$37.9M
Estimated Contribution to Asset Mgmt			
TOTAL Contribution, incl. Reserves	\$927K	\$8.4M	\$24.3M
Projected Infrastructure Gap	(\$515K)	\$3.4M	\$13.6M
Funding %	225%	71%	64.2%

*includes Mabel Davis, Scanlon Creek Operations Centre and a placeholder for the New Nature Centre

Staff Recommendations and Next Steps

1. Staff Recommendation: Develop the 2025 Budget with the 0.5% infrastructure levy as a priority
2. Continue to build asset management funding into all new funding agreements
3. Actively pursue disposition of land and other assets, in line with the Acquisition and Disposition Strategy
4. Focus on assumptions, due to high degree of sensitivity to changes in contribution, inflation and interest rates
5. Staff Recommendation: Plan to bring the next full review to the Board of Directors in 2029, unless there is a significant to change to financial projections



Questions?