



Financial Strategy

Preparing for Compliance with O.Reg 588/17 by July 1st, 2025

March 27, 2025

Ontario Regulation 588/17 Requirements

Financial Strategy

Ontario Regulation 588/17 Requirements: Financial Strategy

- By July 1, 2025, every asset management plan must include:
 - A **financial strategy** that sets out the following (**10-year period**):
 1. Identify **annual funding projected** to be available to undertake lifecycle activities.
 2. Explanation of the **options examined** by the municipality to **maximize the funding projected to be available**.
 3. If there is a **shortfall**, what lifecycle activities will be undertaken and how risks will be managed from lifecycle activities not undertaken.



Ontario Regulation 588/17 Requirements: Financial Strategy

4. Under 25,000 population: a discussion on how future **changes in population and economic activity** informed the strategy
5. Over 25,000 population:
 - a) Estimated **costs to achieve proposed levels of service** with increase in demand from population/employment growth.
 - b) **Funding by source** estimated to be made available by population/employment **growth**.
 - c) Overview of risks from implementing the Asset Management Plan and any actions proposed in response to those risks.
6. Explain **key assumptions**



Ontario Regulation 588/17 Requirements: Financial Strategy

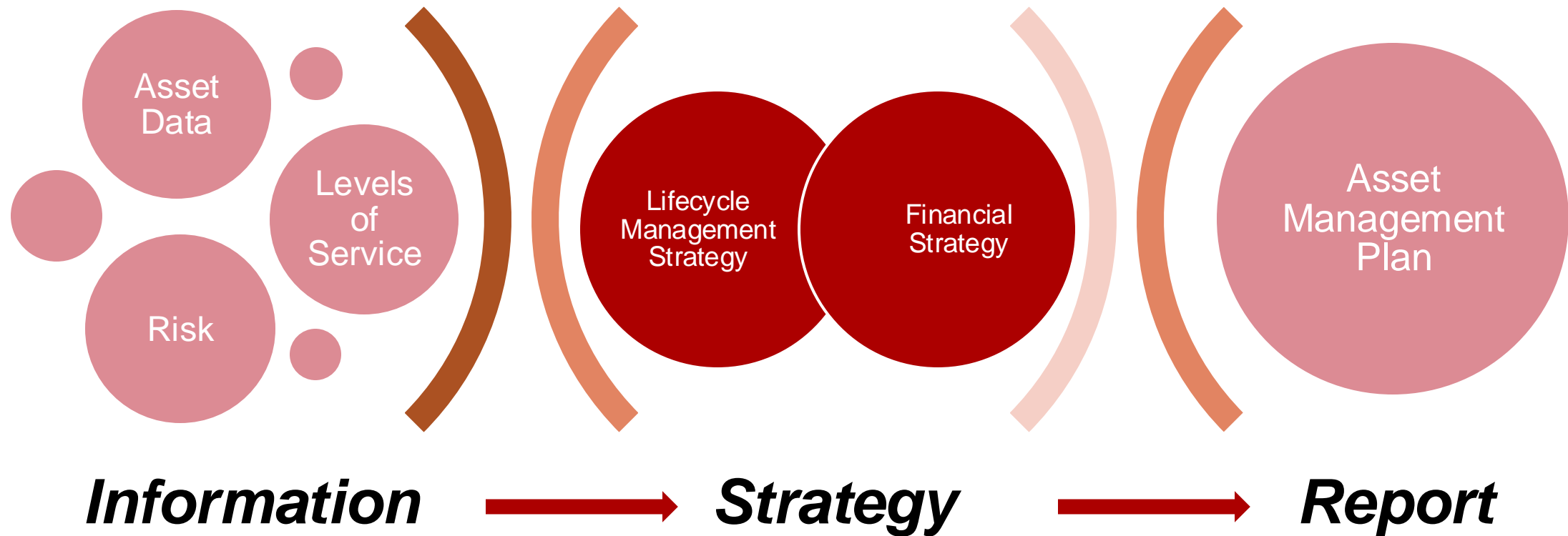
Other Items

- ✓ **Update the plan** at least every 5 years.
- ✓ Endorsement by the **Executive Lead and Council**
- ✓ **Annual review of “progress” by Council** before July 1
 - Implementation **progress**
 - **Factors impeding the ability to implement** (with a strategy to address)

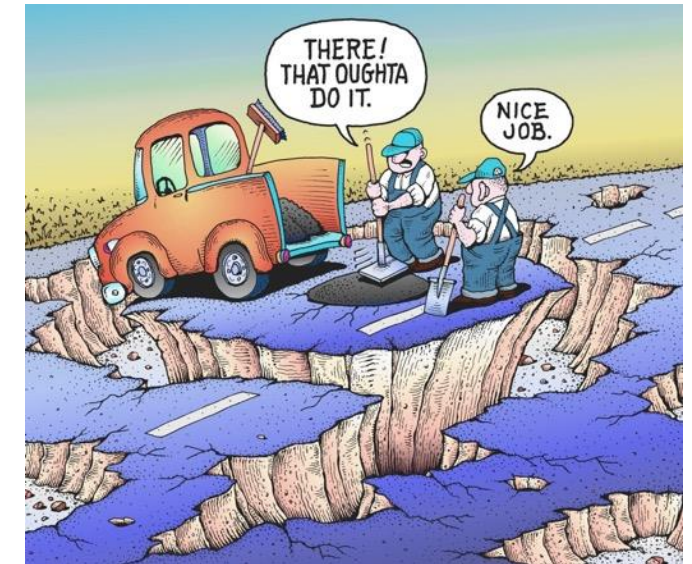
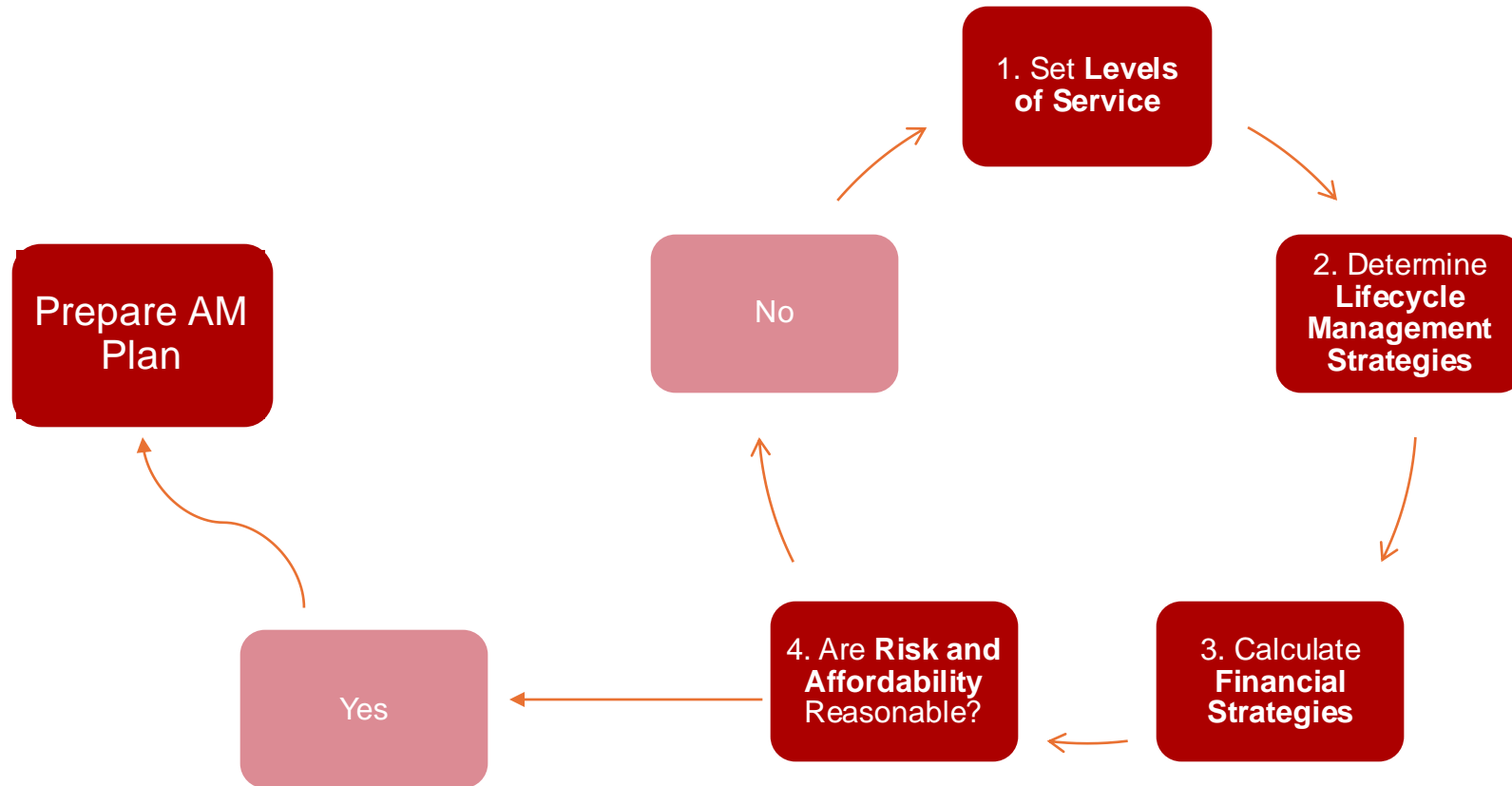


Financial Strategy in the AM Planning Process

Financial Strategy: How Does It Fit in the Process?

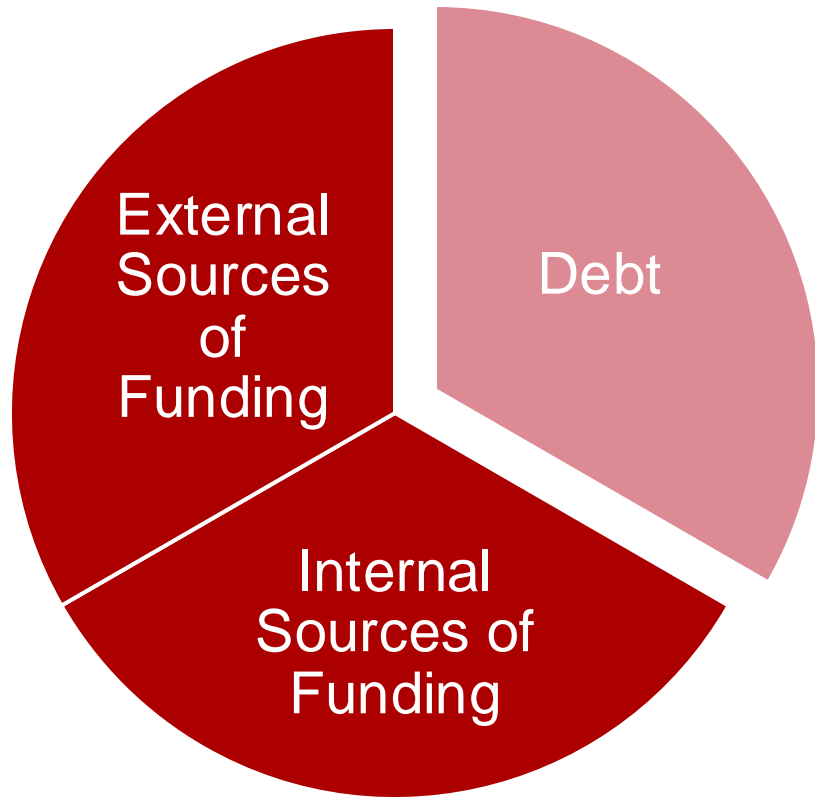


Financial Strategy: How Does It Fit in the Process?



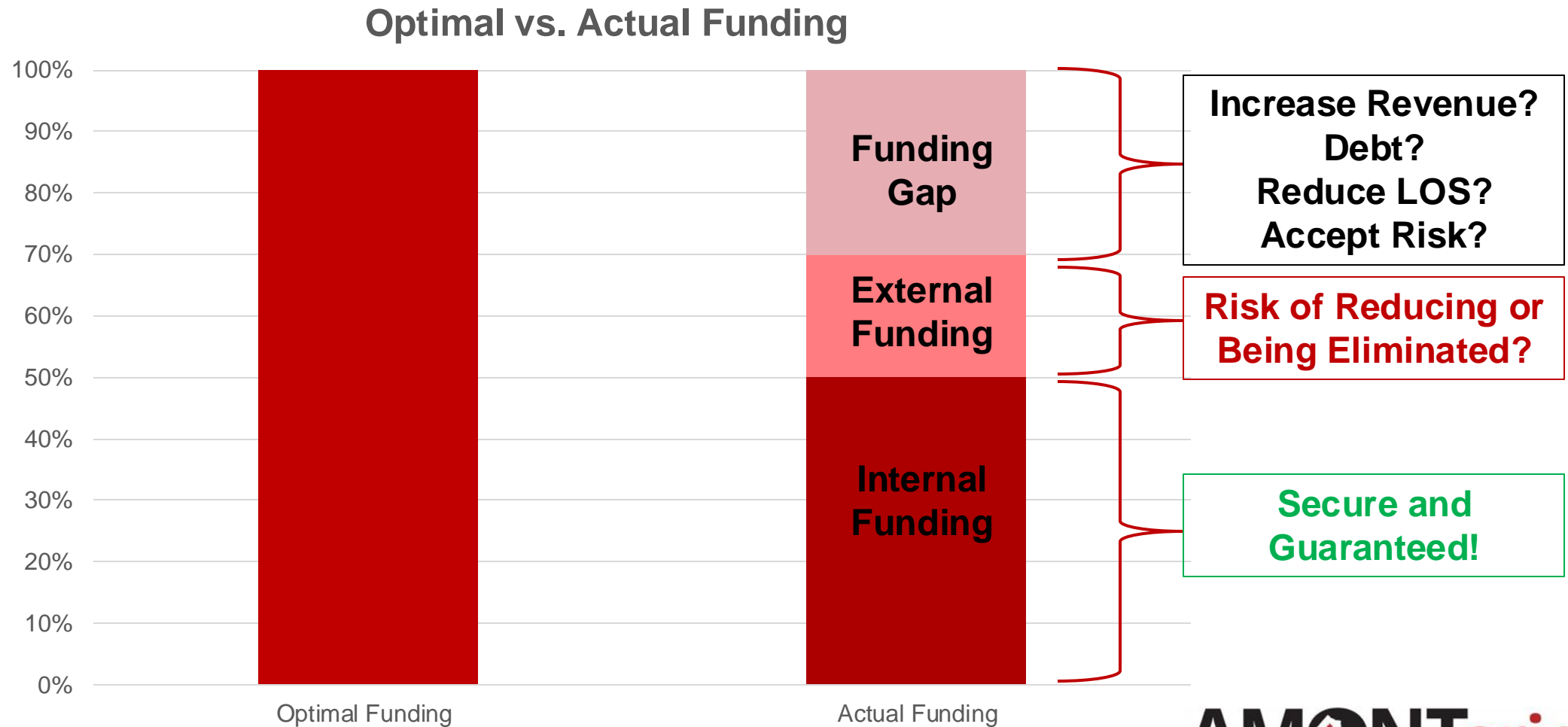
Financial Strategy

Annual Funding Projected (Funding by Source)



External Sources of Funding	Internal Sources of Funding
Development Charges, CBCs	Property Taxation
Grants (i.e., CCBF, OCIF)	User Fees (i.e., Water, Wastewater, Storm)
3 rd Party Contributions (i.e. Developers)	Reserves & Reserve Funds

Annual Funding Projected (Funding by Source)



Annual Funding Projected (Funding by Source)

Assess Funding Sources Available for each Lifecycle Cost

	Acquisition	Operating & Maintenance	Rehabilitation	Replacement	Expansion
Property Taxation		✓	✓		
User Fees		✓	✓		
Reserves/Reserve Funds	✓			✓	✓
Grants	✓			✓	✓
Debt	✓			✓	✓
3rd Party Contributions	✓			✓	✓
Development Charges / CBCs	✓				✓

Multiple Strategies

- ✓ Tax Supported
- ✓ Water Supported
- ✓ Wastewater Supported
- ✓ Stormwater Supported
- ✓ Other?

Annual Funding Projected (Funding by Source)

Use Tools and Templates for Each Funding Source

Reserves & Reserve Funds

Reserve Fund Continuity Schedule	2025	2026	2027
Opening Balance	800,000	775,500	801,000
Add: Contributions from Operating	100,000	150,000	200,000
Add: Interest Earned	25,500	25,500	27,000
Less: Transfers to Capital	- 150,000	- 150,000	- 150,000
Closing Balance	775,500	801,000	878,000

Reserve Continuity Schedule	2025	2026	2027
Opening Balance	500,000	470,000	515,000
Add: Contributions from Operating	75,000	150,000	200,000
Less: Transfers to Capital	- 105,000	- 105,000	- 105,000
Closing Balance	470,000	515,000	610,000

Grant Forecast

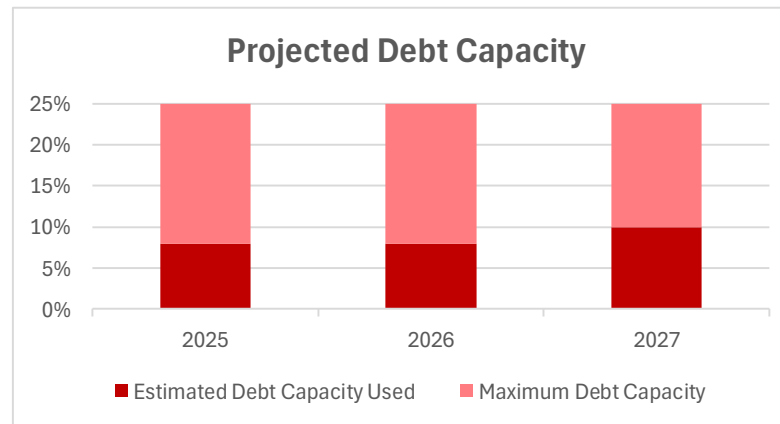
Grant Forecast	2025	2026	2027
CCBF	800,000	800,000	800,000
OCIF	1,100,000	1,100,000	1,100,000
Other - Annual	250,000	250,000	250,000
Other - One Time	-	500,000	-
Closing Balance	2,150,000	2,650,000	2,150,000

Annual Funding Projected (Funding by Source)

Use Tools and Templates for Each Funding Source

Debt Forecast

		Annual Payments		
Debt Forecast	Principal	2025	2026	2027
2025 Debt	\$1,000,000	73,600	73,600	73,600
2026 Debt	\$ 0	-	-	-
2027 Debt	\$2,000,000	-	-	147,200
Total	\$3,000,000	73,600	73,600	220,800
Estimated Debt Capacity Used		8%	8%	10%
Maximum Debt Capacity		25%	25%	25%



Growth Impacts in the Financing Strategy

Municipalities Under 25,000

Changes in population and economic activity informed the strategy

- How is growth impacting your municipality?
- How does it impact the Lifecycle Management Strategy?
- How does it impact the Financial Strategy?

How are Growth Related Costs Funded?

- DCs?
- CBCs?
- Developers?
- Residents?

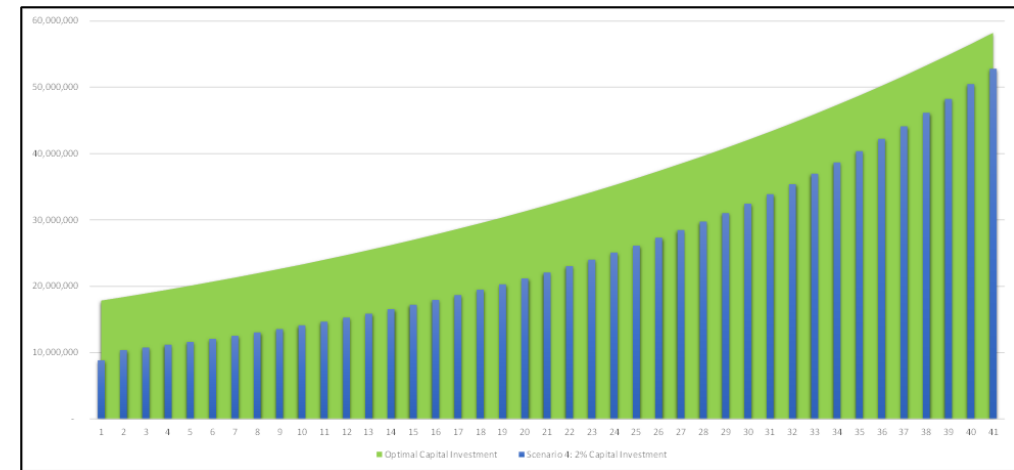
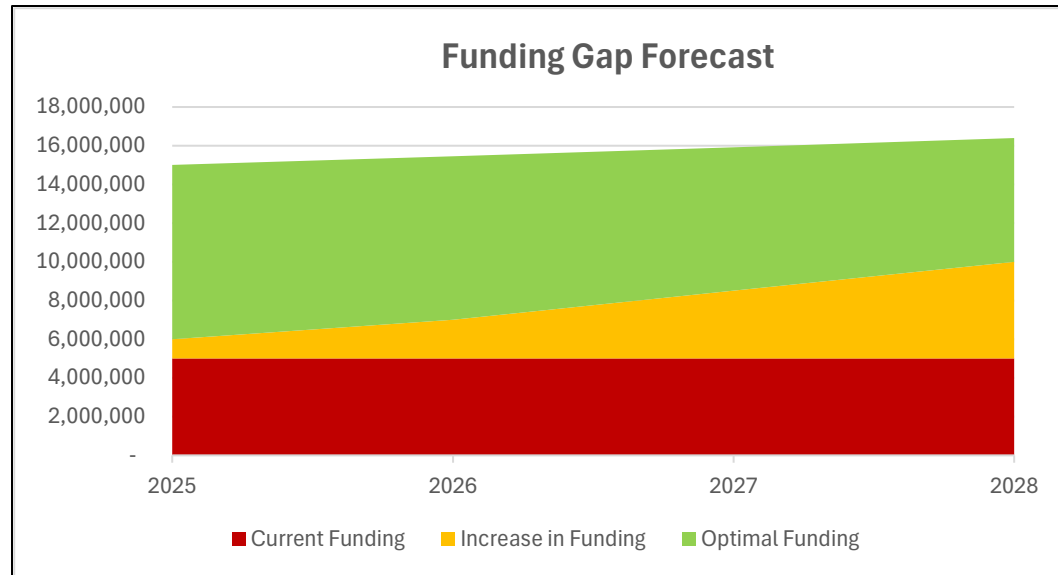
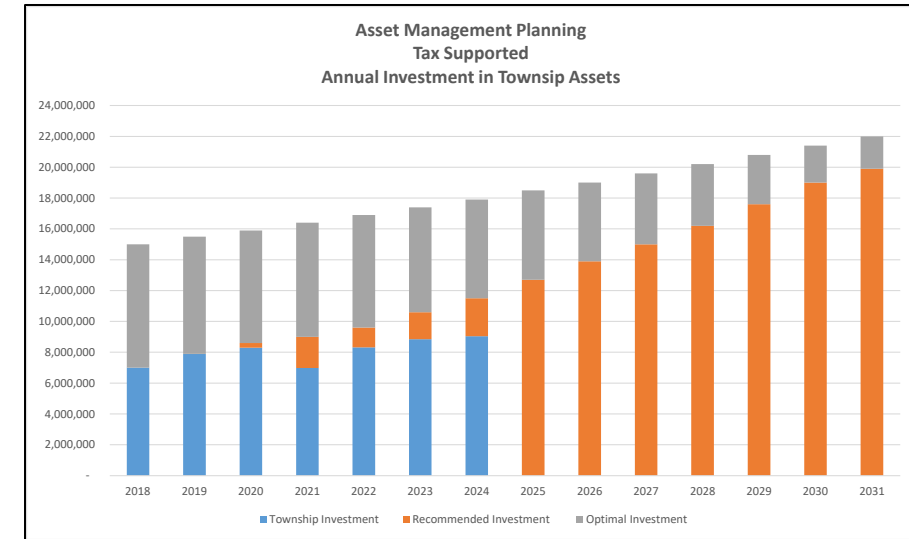
Municipalities Over 25,000

- Estimated costs to achieve proposed levels of service with increase in demand from population/employment growth.
- Funding by source estimated to be made available by population/employment growth.

Shortfall Identification (Funding Gap)

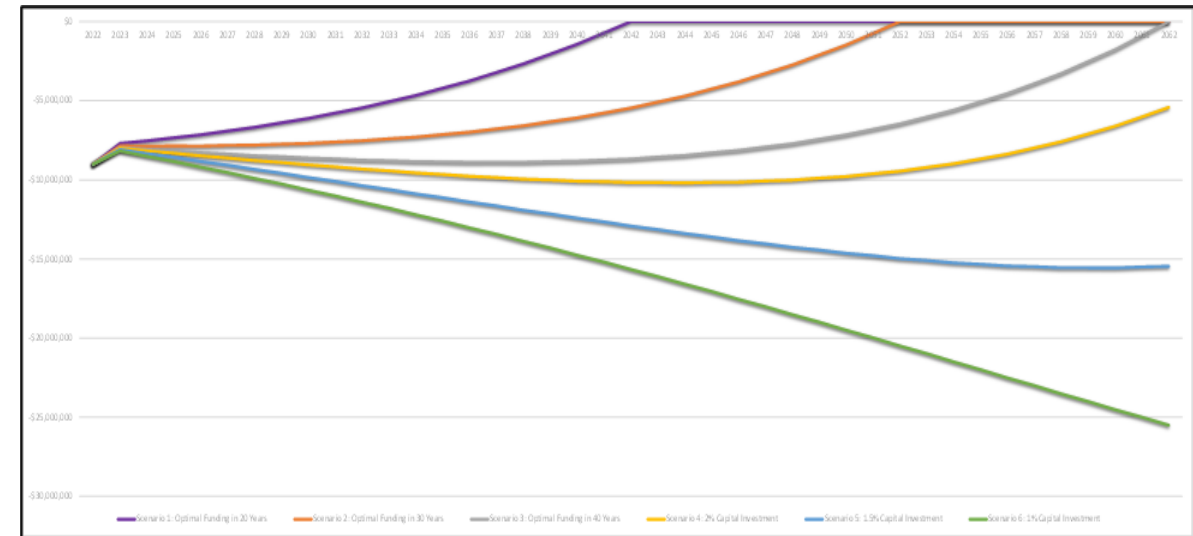
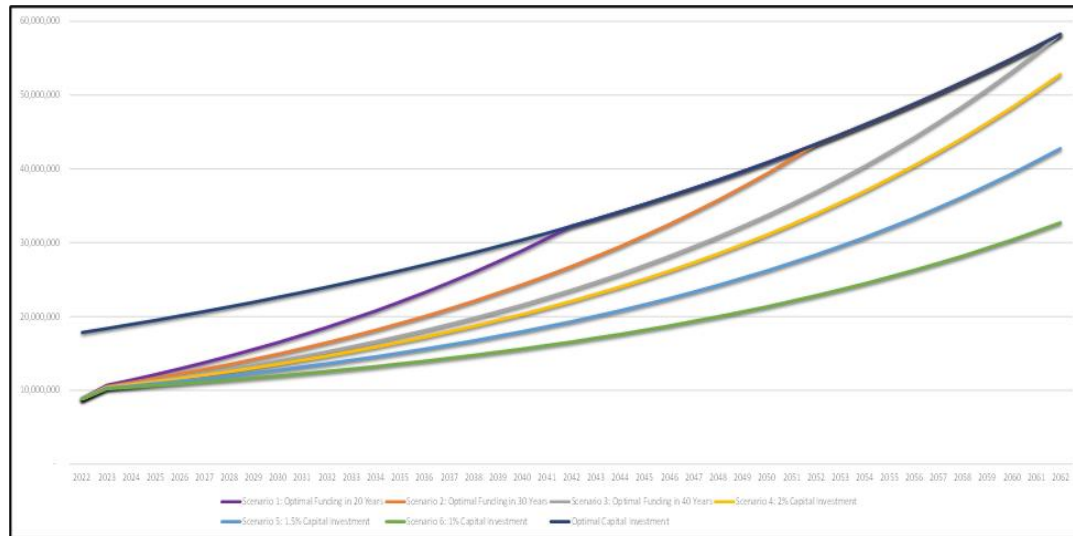
Tax Supported (excl. Bridges/Culverts)			
Asset Type	Optimal Annual Investment (2022 \$)	Existing (2022) Funding (note 1)	% of Optimal
Road Base - Paved	2,551,000	4,179,318	43%
Road Surface - Paved	5,519,459		
Road - Gravel	2,000,000		
Buildings	1,626,761		
Vehicles	1,235,550	961,000	
Equipment	731,372	849,400	
Land Improvements	319,700		
Total	\$ 13,983,842	\$ 5,989,718	

Note 1: Assumes that the extra OCIF funding received in 2022 (and every year thereafter) is dedicated to roads.



Scenario Modelling

Sensitivity Analysis - Financing Strategy	Funding Investment by Year 10	Funding Investment by Year 20	Funding Investment by Year 30	Funding Investment by Year 40	Equivalent Annual Increase in Taxation
Scenario 1: Optimal Funding in 20 Years	77%	100%	100%	100%	3.85%
Scenario 2: Optimal Funding in 30 Years	69%	83%	100%	100%	2.86%
Scenario 3: Optimal Funding in 40 Years	63%	73%	85%	100%	2.27%
Scenario 4: 2% Capital Investment	61%	68%	78%	91%	2.00%
Scenario 5: 1.5% Capital Investment	57%	60%	65%	73%	1.50%
Scenario 6: 1% Capital Investment	52%	51%	53%	56%	1.00%
Optimal Capital Investment	\$ 23,983,000	\$ 32,231,000	\$ 43,317,000	\$ 58,214,000	





Thanks!

Dan Wilson
Board Member & Treasurer, AMONTario
dwilson@centrewellington.ca