Financial Sustainability Plan

Introduction

The Financial Sustainability Plan assesses the financial health of the Town of Cobourg in the context of its demographic and economic environment, municipal financial benchmarks, and current spending and revenues. It includes a financial forecast for the Town as well as long-term financial planning principles and policies for consideration. The financial policies and practices adopted by current and past Councils were considered in the development of the new plan. The plan represents current municipal best practices, legislative requirements, as well as polices that reflect our specific and unique challenges/opportunities.

The plan will ultimately serve Council and residents well into the future, with the Town's short- and long-term financial strength and sustainability being the primary objectives. The plan will be constantly monitored for effectiveness, in particular as the financial, economic, political, and legislative environments change.

Long-term strategic financial planning and management to benefit the Town's residents and businesses in a number of ways:

1. Manage tax rate increase
2. Improve short- and long-term financial strength and stability
3. Effectively and efficiently meeting the demands of growth

Goals and principles of the plan:

1. Align with the objectives and strategies contained within the community action plan.

2. Provide a comprehensive framework to guide and assist priority setting and decision making by Council.

3. Provide a comprehensive framework to guide and assist priority setting and decision making by Council.

4. Protect and maintain the Town's infrastructure and other capital assets.

5. Maintain programs and services at their desired levels.

6. Provide the financial flexibility necessary to leverage future opportunities.

7. Minimize financial vulnerability during economic downturns.

8. Maintain a reasonable sharing of the tax burden between current and future taxpayers as the Town approaches growth.

9. Recommend solutions to known gaps/issues, as well as introduce new policies based on best practices within the municipal sector.

The three main critical areas of review that form the scope of this review and the long-term impacts on the municipality are:

- Discretionary reserves and reserve funds – funds set aside for specific purposes.

- Capital project funding – funds for the construction of new and the maintenance of existing capital infrastructure.

- Long term debt – money borrowed to partially pay for the construction of new buildings and the expansion/repurposing of existing buildings.

The report contains the nine discussion areas:

1	Introduction
2	Benchmarking Results
3	Unfinanced Capital
4	Northam Industrial Park
5	Discretionary Reserves and Reserve Funds
6	Asset Management Plan
7	Debt
8	Cobourg Police
9	Conclusion

The vast majority of the work in developing the Financial Sustainability Plan, including all research, analysis and the development of recommendations will be completed by Town staff. Staff's work will be supplemented with the use of external expertise in the areas of best practices, benchmarking, etc.

It is important to note that all the various plan elements are linked or interrelated. A change in one element will have a direct impact on other decisions or practice, as well as an impact on both the operating budget and capital budget/long range capital forecast. For both operating and capital budgets, a multi-year outlook ensures that decisions are based on both short- and long-term impacts.

The current financial challenges have accumulated over decades, with some stemming from longstanding practices and historical decisions and the challenges have been highlighted through:

1. KPMG Service Delivery Review – Completed in November 2020 the review highlighted the low level of reserves compared to other similar sized municipalities.

2. Audit Committee – KPMG's Audit Finding Reports identified the significant unfinanced capital and noted the balanced continued to grow. KPMG recommended that management finalize plans to fund aged, unfinanced capital expenditures.

3. Budget Increase – As noted during the budget process, the net tax levy increase has been kept below inflation in prior years which has contributed to increases over the past few years as noted below.

Year	Net Increase	Average Inflation	Over (Under) Funded
2019	1.60%	1.94%	(0.34%)
2020	1.90%	0.73%	1.18%
2021	(0.20%)	3.43%	(3.63%)
2022	2.90%	6.80%	(3.90%)
2023	6.60%	3.89%	2.71%
2024	8.06%	2.39%	5.67%
2025	5.23%	2.27%	2.96%
Total			**4.65%**

It is common for small municipalities to limit property tax increases while also maintaining relatively low reserve balances. Municipal Councils are often under pressure to keep property taxes low to support affordability for residents and businesses. Particularly in smaller communities, where household incomes may be lower and economic diversity more limited, there is strong public expectation for minimal tax increases. While limiting tax increases and operating with low reserves may appear fiscally responsible in the short term, this approach can hinder long-term sustainability. Municipalities, particularly smaller ones, must balance affordability with the need to build financial resilience, invest in infrastructure, and manage future risks.

As a result, addressing and fully correcting them will be a gradual process that requires careful review, strategic planning, and implementation. While efforts are already underway to resolve these concerns, it will take time to ensure sustainable and effective solutions.

In the development of this Financial Sustainability Plan, each area of concern was thoroughly assessed to identify appropriate and responsible funding strategies. For every identified issue, three potential funding options were reviewed to determine the most sustainable and effective approach:

1. Utilizing the Tax Levy

   Consideration was given to addressing the issue through adjustments to the municipal tax levy. This option involves increasing property taxes to generate additional revenue dedicated to resolving the specific financial challenge.

2. Issuing Debt

   The feasibility of financing the required expenditures through the issuance of municipal debt was evaluated. This option allows the municipality to spread the cost of long-term capital improvements or financial needs over time, aligning repayment with the useful life of the asset or service.

3. Selling Municipal Assets

A review was conducted to identify surplus or underutilized municipal assets that could be sold. The proceeds from these asset sales would be allocated directly toward correcting the financial issue, providing a non-tax revenue source and potentially reducing long-term financial obligations.

This report includes the option of selling a municipal asset for $40,000,000 and investing the proceeds at an annual return of 4.50%.

Each option was analyzed based on factors including financial impact, long-term sustainability, community impact, and alignment with the municipality's strategic priorities. The selected approach for each issue reflects a balance between fiscal responsibility and service delivery objectives.

Benchmarking Results

This report explores some of the results of the review undertaken by staff, examining various metrics that measure the Town's financial health. It also updates and recommends actions that will help to maintain a sustainable financial policy framework, guide decision making and support the achievement of the Council's goal of a thriving community.

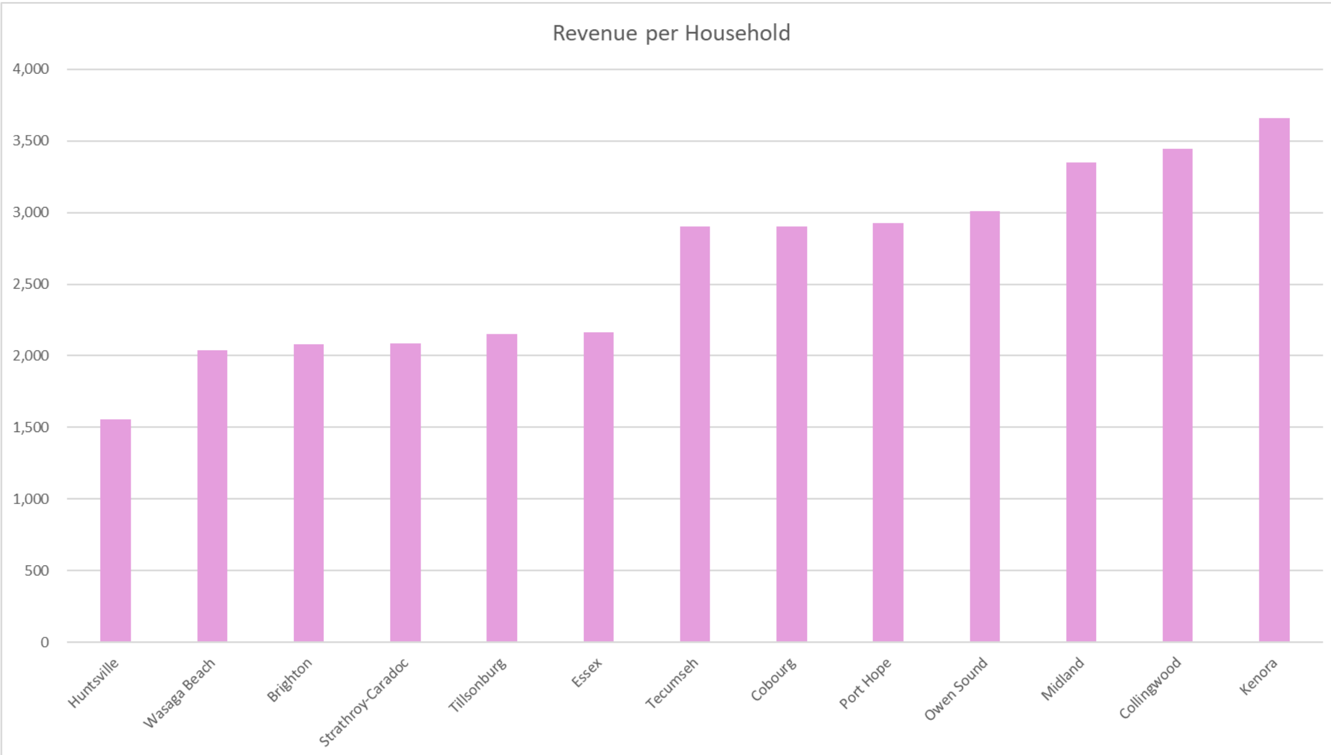
There are several key indicators that measure a municipality's financial health. Reviewing these indicators alongside historical and comparator information allow management, Council and the public to determine how the Town compares to similar municipalities, analyze the Town's performance over time, assess trends, and identify risk areas for priority attention.

The analysis in this report is based on the information contained in the 2022 Financial Information Return, as posted on the Association of Municipalities FIR portal.

Staff selected a comparator group correlated to the Town of Cobourg based on population and density. The comparators noted are consistent with KPMG's Service Delivery Review prepared in November 2020.

Municipality	Population	Households
Brighton	12,108	5,015
Kenora	14,967	7,569
Port Hope	17,294	7,607
Midland	17,817	7,480
Tillsonburg	19,000	8,480
Strathroy-Caradoc	19,637	10,008
Cobourg	20,519	9,134
Huntsville	21,147	11,676
Essex	21,216	8,390
Owen Sound	21,612	10,617
Tecumseh	23,300	9,111
Collingwood	24,811	11,174
Wasaga Beach	24,862	13,901

The high reliance on the residential tax base increases financial pressures on the Town's residents who must bear a higher share of the costs of running the Town. The graph below compares the revenue per household for the comparator group. Revenue per household gives a snapshot of the Town's financial strength relative to its population. A higher figure might suggest a strong tax base or effective revenue collection, while a lower one might indicate economic stress or dependency on external funding.



As noted above, the tax burden falls primarily on residential taxpayers and continues to rise. Cobourg's revenue per household is $2,905—higher than the comparator average of $2,636.

Unfinanced Capital

The Town of Cobourg has a balance of $14,000,000 of unfinanced capital as of December 31, 2023 (unaudited). Unfinanced capital is not acceptable nor a fiscally responsible long-term practice. It causes increased debt burden, depletion of cash, and erosion of taxpayer confidence. There may be an occasion that a capital project will be unfinanced, for example, if a report to Council is pending to authorize additional funding or the issuance of long-term debt. The Town, however, has a very long history of unfinanced capital which has been continually perpetuated with the use of debenture funding in the capital budget as discussed above. As noted in the table below, unfinanced capital dates back to at least 2012 and while the review stopped at that point, the origins of the practice go further back.

Capital budgets should be fully funded and only funded by debenture (debt) if the project meets the debenture funding criteria and there is a true intention to issue the debenture.

By not implementing a plan to reduce and ultimately eliminate unfinanced capital, the Town is at risk of experiencing cash flow shortages. This item has been flagged by the auditors to be addressed by the Town however steps had not been taken until now to address the concerns requested by the auditors.

With the commencement of a new Council term and the onboarding of new staff, including a Treasurer and Finance Manager, a need was identified to enhance our Financial and Asset Management Plans. This initiative aligns with the sustainability pillar in our Strategic Plan, which focuses on providing appropriate levels of service and ensuring long-term sustainability. To support this effort, staff collaborated with municipal finance experts to review the historic issues, and to identify the options related to correcting the reliance on unfinanced capital have suggested the following:

1. The return on the proceeds from the sale of the assets would be utilized to reduce the unfinanced capital from 2026 to 2034.

2. This would result in no tax levy impact.

Year	Asset Sale
Beginning	$14,000,000
2026	(1,800,000)
2027	(1,800,000)
2028	(1,800,000)
2029	(1,800,000)
2030	(1,800,000)
2031	(1,800,000)
2032	(1,800,000)
2033	(1,400,000)
2034	0

If the unfunded capital requirement were to be addressed solely through the tax levy, the estimated annual tax impact would be approximately 3.00% per year over a 15-year period. Given that the issue has remained unresolved since at least 2012, the proposed correction has been amortized over a comparable timeframe to reflect the duration of the deferral and to align with principles of intergenerational equity.

Northam Industrial Park

In the past the Town of Cobourg transferred operating surplus from Northam Industrial Park (Northam) to reduce the tax levy. The amount drawn from the Northam reserve for operating costs has been approximately $1,100,000, the details for 2024 and 2025 are provided below.

Details	2025	2024
Operating		
General income	750,000	750,000
Fire	350,000	350,000
Physcian Recruitment	28,824	27,452
	1,128,824	1,127,452
Capital		
General Government - Electronic Entry System		72,500
General Government - Exterior Building Audit		20,000
General Government - Library Fence		3,000
General Government - Library Concrete Pad		35,000
CCC - Digital Score Clock		102,250
CCC - Stadium Seating		20,000
CCC - Roof Repair		90,000
	0	342,750
Total	**1,128,824**	**1,470,202**

Drawing funds from Northam Industrial Park may seem like a viable short-term financial solution for the Town of Cobourg, but it is not a prudent approach due to several key reasons related to financial sustainability, strategic planning, and future development.

1. Preserving funds for future capital investments

   The reserve exists specifically to fund future capital projects within Northam, such as infrastructure improvements, land development, and other essential projects that will support economic growth.

   Using these funds for other purposes may leave the Town of Cobourg without adequate resources when major capital projects arise, forcing the Town of Cobourg to seek alternative funding such as raising taxes.

2. Supporting long-term economic growth

   Northam is a valuable economic asset that contributes to job creation, local business expansion, and increased municipal revenue. Maintaining a dedicated reserve ensures that future industrial development is well funded, attracting new businesses and fostering economic stability. If the reserve is depleted, the Town may struggle to finance necessary infrastructure upgrades, potentially deterring business development.

3. Maintaining fiscal responsibility and public trust

   The reserve is established with a clear purpose – funding capital needs for Northam Industrial Park. Redirecting funds elsewhere raises concerns about financial management – the municipality should manage funds responsibly and ensure that financial reserves are used as intended.

4. Potential need for increased taxes or borrowing

   If funds from the reserve are used for other projects, the Town may need to increase taxes or borrow money to cover future capital needs in Northam Industrial Park. Borrowing could lead to increased debt servicing costs, reducing the Town's financial flexibility.

   Further, if the reserve is depleted, future projects in Northam may be delayed or abandoned due to lack of funding. This could result in missed economic opportunities, outdated infrastructure, or a decline in Northam's attractiveness to businesses.

Continuing to draw funds from the Northam Industrial Park reserve for unrelated expenses is not advisable because it comprises Northam's ability to fund future capital projects, weakens long-term economic growth, and risks financial instability. A more responsible approach is for the Town of Cobourg to reduce the reliance on utilizing Northam.

Staff reviewed the options related to correcting the reliance on Northam and have proposed reducing the impact over a five-year period which would be a tax levy impact of 0.71%

Year	Tax Levy Funded
2026	0.71%
2027	0.71%
2028	0.71%
2029	0.71%
2030	0.71%
	3.55%

Given that the annual tax levy impact is minimal, staff could consider shortening the amortization period—effectively increasing the tax levy impact—in a given year, depending on the draft budget. For example, if preliminary budget planning suggests a modest overall levy impact, staff may recommend a significant reduction in reliance on Northam.

Discretionary Reserves and Reserve Funds

Discretionary reserves and reserve funds are monies set aside by Council for specific purposes, and their funding sources and use is determined solely by Council. Reserves fulfill a critical financial need for municipalities, both now and for the future. These reserves directly contribute to minimizing tax increases, building new capital infrastructure and maintaining the infrastructure previously constructed. The use of reserve and reserve funds are essential to fund accounting and a key accountability method for the delivery of the capital program.

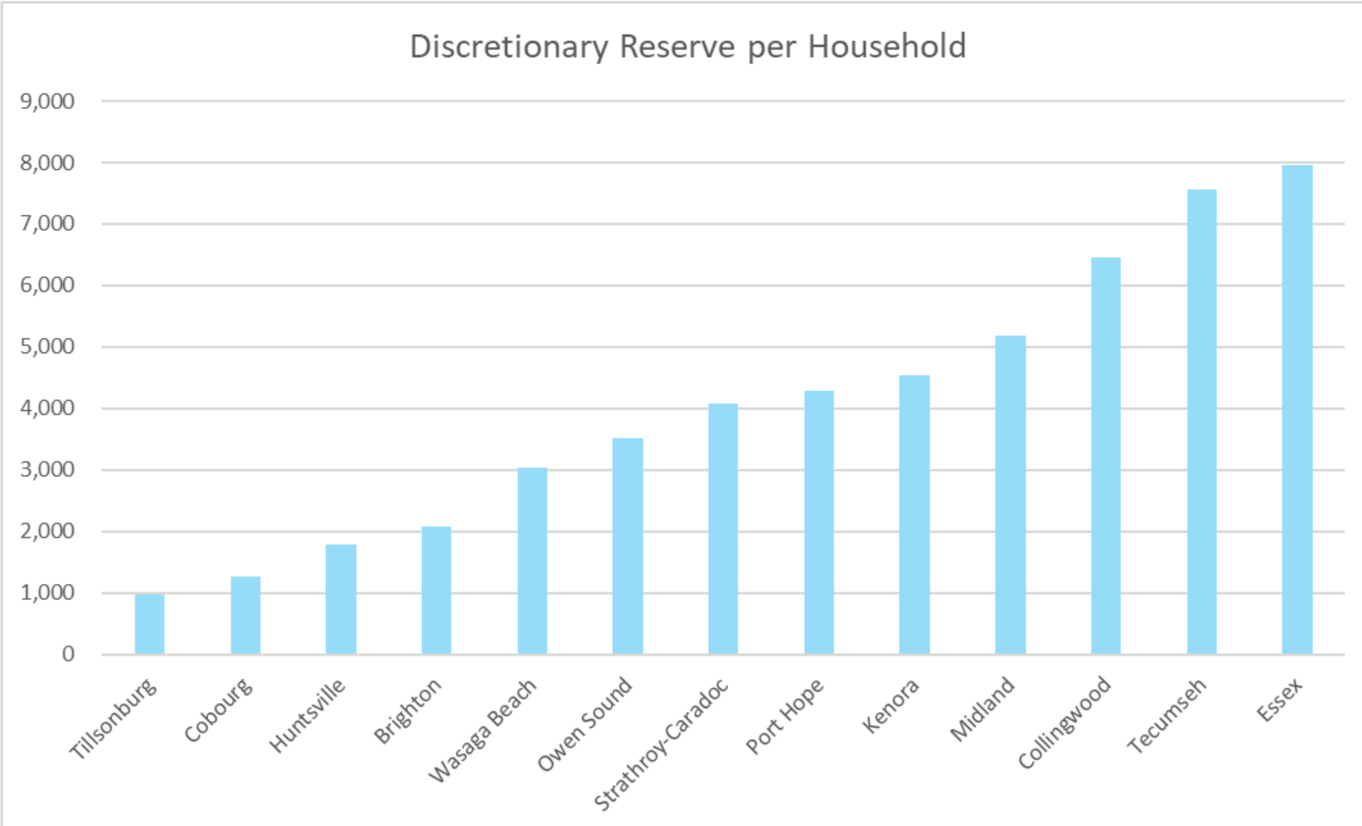
Using reserves, instead of a pay-as-you-go approach, also smooths tax rates by establishing stable, predictable contributions each year. This provides a buffer when major projects are undertaken; the spike in capital funding needs is drawn from reserves and does not immediately necessitate a corresponding increase in the tax rate in the year of construction.

Reserve and reserve funds are an essential element of strategic planning as they provide financial stability, flexibility, and resilience for municipalities. They are essential for risk management, investment and growth, and operational continuity. In uncertain times, it is essential to safeguard the financial health of the organization so that it can continue to support and service the community.

While the total existing discretionary reserves and reserve funds will be reviewed as part of the project, some existing reserves/reserve funds merit additional discussion. Staff will prepare a report in the future which includes a review of the reserve fund policy, minimum reserve balances, target reserve balances.

Total reserves provide an assessment of the Town's ability to absorb incremental expenses or revenue losses through the use of reserves and reserve funds as opposed to taxes, users fees, or debt. Low reserve levels are indicative of limited capacity to deal with cost increases or revenue losses, required the Town to revert to taxation or user fee increases or the issues of debt.

The Town's reserve funds per household was identified in KPMG's Service Delivery review released on November 6, 2020. The discretionary revenue per household is a key sustainability indicator that measures the municipality's long-term financial capacity. The analysis of the Town's discretionary reserve per household as per the 2022 Financial Indicator Results (FIR) is indicated below:



As summarized, the Town's reserve per household is $1,271, which is well below the average of $4,055 per household for similar sized municipalities. Further, the average reserve per household for lower tier municipalities is $3,955 and the provincial average is $3,573.

If the Town of Cobourg were to meet the average reserve per household, reserves would have to be increased by approximately $20,500,000. In order to correct the underfunded reserves, staff reviewed the options and have recommended the following:

1. The reserves would remain underfunded for the period 2026 to 2032. Staff will make annual reserve allocations each budget year in an attempt to decrease the underfunded balance.

2. After the unfinanced capital amount is reduced, the interest received on the investment would be allocated to the reserve to reduce the unfunded balance.

Year	Asset Sale
Beginning	25,000,000
2026	0
2027	0
2028	0
2029	0
2030	0
2031	0
2032	0
2033	(400,000)
2034	(1,800,000)
2035	(1,800,000)
2036	(1,800,000)
2037	(1,800,000)
2038	(1,800,000)
2039	(1,800,000)
2040	(1,800,000)
2041	(1,800,000)
2042	(1,800,000)
2043	(1,800,000)
2044	(1,800,000)
2045	(1,800,000)
2046	(1,800,000)
2047	(1,200,000)
	0

One option is to begin increasing the reserve allocation in 2026; however, this would result in an estimated annual tax levy impact of approximately 5.33%. The alternative approach recommended by staff maintains the current reserve balance (which remains unfunded) and defers significant tax impacts until a time when reserves can be replenished using proceeds from a potential asset sale.

Asset Management Plan

Municipalities across the province are struggling with how to manage the growing infrastructure deficit and it's therefore prudent that the Town develop appropriate financial planning. Significant capital investment and associated operating costs are required to accommodate growth, ensuring that service levels are maintained without losing sight of the need to provide regular capital contributions to maintain the Town's existing and aging infrastructure. Capital funding gaps are a significant concern and steps to close these gaps are important to the attainment of financial sustainability.

An Asset Management Plan (AMP) is a strategic document that helps municipalities manage their infrastructure and physical assets effectively. It provides a structured approach to maintaining, upgrading, and replacing assets while balancing service levels, costs, and risks.

As noted, existing reserve and contributions levels are below calculated needs, and there is the forecast for significant new infrastructure to meet the service needs of new development. Additionally, challenges will soon emerge due to a gap between the rate at which the Town increases its reserve contributions and the annual acquisition and assumption of new assets. However, with prudent financial planning and manageable increases in reserve contributions, the Town will be able to maintain its infrastructure assets.

To close the gap identified in the Asset Management Plan, the Town of Cobourg would need to increase capital spending by approximately $17 million. This figure represents the total cost of required infrastructure upgrades over the duration of the plan, not an annual expense.

In order to meet the additional capital spending, staff reviewed the options and have recommended the following:

1. The Town of Cobourg would fund the gap in infrastructure identified in the asset management plan by utilizing both debt and a tax levy increase.

2. The additional allocation incurred by the Town of Cobourg would require additional tax levy funding of 3.62% to increase the reserve balance.

3. A portion of the annual capital infrastructure increase will be funded utilizing debt of $9,476,744 over the ten-year period or an average annual tax levy impact of 2.38% per year over ten years.

The above is summarized in the table below:

Year	Tax Levy	Debt	Total
2026	3.62%	0.00%	3.62%
2027	3.62%	1.81%	5.43%
2028	3.62%	2.12%	5.74%
2029	3.62%	2.16%	5.78%
2030	3.62%	2.95%	6.57%
2031	3.62%	2.95%	6.57%
2032	3.62%	2.95%	6.57%
2033	3.62%	2.95%	6.57%
2034	3.62%	2.95%	6.57%
2035	3.62%	2.95%	6.57%
	36.20%	23.79%	59.99%

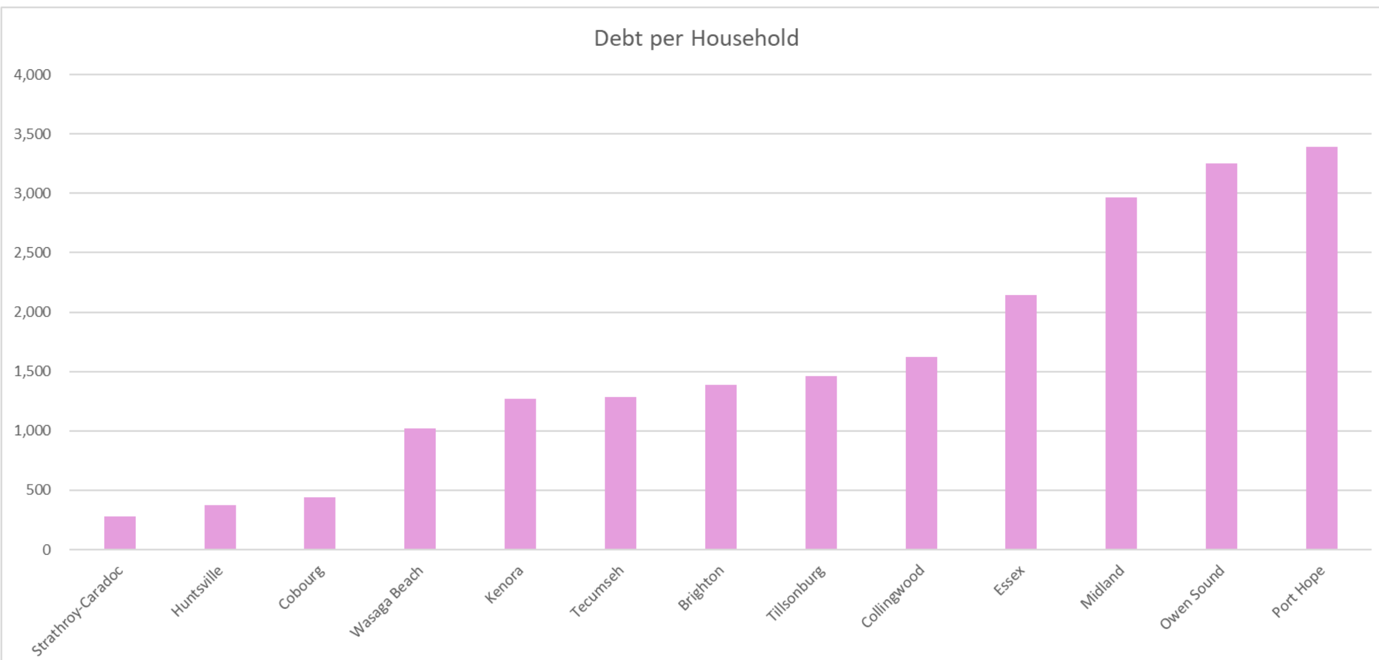
The Municipality has identified funding gaps within its current Asset Management Plan. These gaps highlight a shortfall between projected infrastructure needs and available financial resources. As a result, there may be a need to defer certain infrastructure replacement projects to future years, allowing time for reserves to be strengthened and additional funding sources to be explored. The Municipality remains committed to maintaining critical infrastructure while ensuring long-term financial sustainability.

Debt

The use of long-term debt is recognized as an important tool in sustainable long-term financial planning. Strong debt management practices balance the need to finance longer life infrastructure and infrastructure related to growth that is not fully recovered through development charges and the need to minimize interest costs and maintain future financial flexibility.

The low-interest rate environment and inflationary trends on construction projects also suggest that this policy change could provide a net-benefit to the community by accelerating projects that otherwise could not be funded with available and projected revenues and reserves.

Using debt strategically can provide capital funding flexibility by allowing essential infrastructure to be built before the related revenue has accumulated to offset the needed investment. Debt financing also achieves inter-generational equity by spreading the cost of new projects over a longer period, sharing the cost between current and future beneficiaries of the assets. In determining debenture terms, debt financing should not extend beyond the life of the underlying assets.



Cobourg's debt per household is $441 which is well below average of $1,608 for the group. The Town has debt capacity available to address most unforeseen emergency shocks. The available debt capacity could be used to fund major long-term asset replacement and growth-related infrastructure needs.

Although the statistics indicate a low level of debt, this does not included the unfinanced debt mentioned above.

Annual Repayment Limit

The annual repayment limit (ARL) is a Provincial calculation that limits the amount of debt a municipality can issue without requiring approval from the Ontario Municipal Board. Under the ARL, annual debt repayments cannot exceed 25% of net revenues. For the following reasons, the ARL is generally considered an administrative calculation, not a benchmark for effectively managing long-term debt.

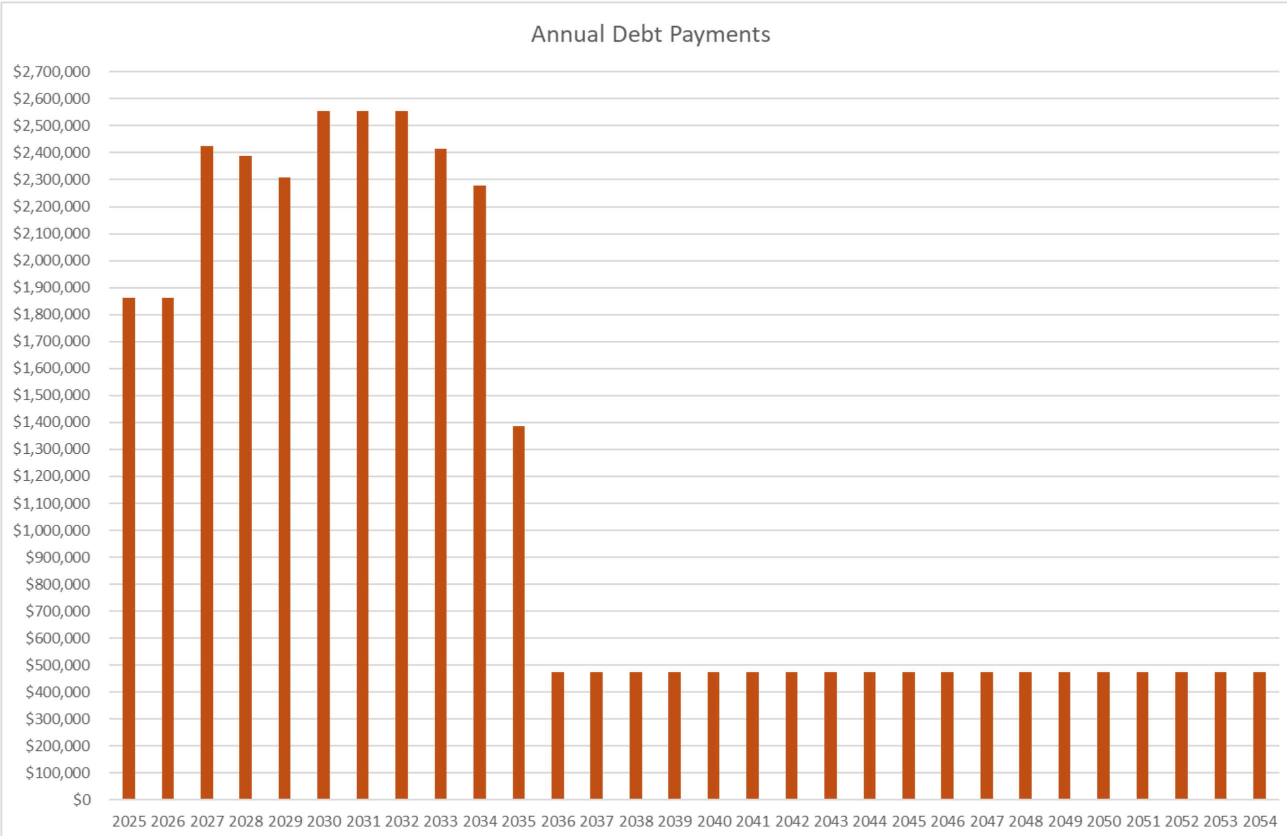
The following chart summarizes the Town's annual repayment limit for 2024 (based on the 2022 financial statement) as well as the Town's current debt position for both internal and external debt.

Details	Amount
2022 Net Revenue	$55,341,329
25% of Net Revenue	$13,835,332
2022 Debt	($1,636,781)
Annual Repayment Limit	$12,198,551

The current debt issued by the Town of Cobourg includes both Town of Cobourg and Lakefront Utility Services Inc. related to water infrastructure.

Entity	Details	Loan	Rate	Loan Ends	Annual Repayment (Principal and interest)
Town of Cobourg	CCC	2013	3.35%	May 2033	276,036
Lakefront Utility Services Inc.	RF Meters	2021	2.73%	May 2028	150,191
Lakefront Utility Services Inc.	RF Meters	2021	2.92%	May 2028	47,182
Lakefront Utility Services Inc.	RF Meters	2021	2.70%	May 2028	24,063
Lakefront Utility Services Inc.	Non-growth debt	2024	4.07%	January 2034	889,825
Lakefront Utility Services Inc.	Growth debt	2024	4.07%	January 2054	474,575
Total					**1,861,873**

The Town is currently utilizing approximately 15% of its overall Provincial debt limit and therefore has the debt capacity available to address the most unforeseen emergency shocks. Available debt capacity may be used to address infrastructure repair and replacement needs which may grow over time.



The annual debt payments (including potential debt from AMP) over the next thirty years is substantial with an average of $2.2 million from 2025 to 2035, which is then reduced. Further over the same period, the debt related to LUSI accounts for 61% of the annual repayment limit.

Although the annual debt payments are low compared to the ARL, Lakefront Utility Services Inc. and Cobourg Police have indicated significant capital projects within the next ten years (clarifier and police station, respectively). If both projects were financed using debt, then the amount of ARL utilized would be 45%.

Cobourg Police

The Town of Cobourg and Cobourg Police have a similar approach when it comes to managing reserves, specifically the Business Services Reserve and the Northam Industrial Park Reserve. In both cases, reserves are created to manage specific funds for long-term financial stability and sustainability, allowing the respective entities to plan for future expenses without immediate reliance on the general tax levy.

Cobourg Police have a business services reserve that is used to cover costs related to the police's operations. The reserve enables the police department to manage its own long-term financial needs, such as purchasing new equipment, making capital improvements to their facilities, or funding other operational costs, relying on this reserve to avoid burdening taxpayers with the costs of these expenses.

The Town of Cobourg and the Cobourg Police have had discussions regarding the transition away from relying so heavily on this reserve. The idea behind this transition is to move towards a more sustainable financial model that doesn't rely on the ongoing accumulation and spending of reserves. Over time, these reserves may become depleted, and the entities could face a situation where they are no longer able to maintain funding through reserves alone. As a result, future operating expenses may need to be covered by an increase in tax levy.

This change could lead to future tax increases, as the reliance on reserves may no longer be sufficient to meet the growing financial demands of both the Town of Cobourg and the Cobourg Police. As the discussion continues, both parties will need to assess how they can balance the need for funding with the impact on local taxpayers.

2025 Budget and Impacts

Included in the 2025 budget was an allocation of $2,770,553 from the business services reserve to reduce the tax levy impact. In the absence of the reserve allocation the Police budget would be an increase of 43% or a tax levy impact of 9%.

In conclusion, the Cobourg Police's reliance on reserves like the Business Services Reserve has been an effective method for managing specific funding needs. However, as discussions continue about transitioning away from this reserve-based model, there may be a need for future tax increases to ensure that the Police can continue to meet their financial obligations.

Conclusion

Central to prudent financial planning is ensuring that expenditures are well managed. Continued growth will place pressure on the Town's expenditures to meet the servicing needs and demands of new and existing residents and businesses. It will be critical that the Town manage the timing and extent of infrastructure and servicing expansion; this is particularly true of services with significant tax levy operating impacts.

The following is a list of recommended strategies that can be used to enhance and improve municipal fiscal sustainability. As the Town continues to grow and develop, there will be ongoing pressure to expand municipal infrastructure and serving capacity. In order to manage sustainable taxation impacts, the Town will need to carefully consider the timing and extent of service level increases.

Option #1 – Tax Levy

Details	Details	Annual Tax Levy Impact
Northam	Reduced over five years through tax levy.	0.71%
Unfinanced Capital	Utilize return on investment to reduce	3.00%
Reserve	Keep reserves as is until unfinanced capital is dealt with. Then use proceeds from sale to increase reserve after unfinanced capital is handled.	5.33%
Asset Management Plan	Fund with debt.	6.00%
Total		15.04%

The option outlined above illustrates the full tax levy impact resulting from the Town's current financial challenges (not including Cobourg Police). It highlights the seriousness of the situation. Without the sale of assets, the annual tax levy increase—prior to assessment growth—would be 15.04%.

Option #2 – Sale of Asset

Details	Details	Annual Tax Levy Impact
Northam	Reduced over five years through tax levy.	0.71%
Unfinanced Capital	Utilize return on investment to reduce	0.00%
Reserve	Keep reserves as is until unfinanced capital is dealt with. Then use proceeds from sale to increase reserve after unfinanced capital is handled.	0.00%
Asset Management Plan	Fund with debt.	6.00%
Total		6.71%

The option of selling an asset and utilizing the funds to reduce unfinanced capital and then increase reserve allocations, minimizes the annual tax levy impact and keeps the proceeds from the sale.

Alternatives

Selling one or more Town assets could provide a short-term solution to current financial pressures. The proceeds could be immediately applied to reduce unfinanced capital, bolster reserve funds, and support asset management planning. However, this approach offers no lasting benefit. Once the funds are spent, the financial relief is temporary, and the asset value is permanently lost.

The solution provided above results in a long term approach, however protects the asset proceeds over the long term.

Polices

The plan identifies a number of policies, both new and existing, as well the various tools used by the Town for short- and long-term financial planning.

- The Town should review and enhance existing reserve fund policy to ensure that the reserve fund contribution, withdrawal, and forecast balance needs are based on realistic and sustainable assumptions and practices. Further, several updates will be required to underlying policies to reflect the items identified in the plan. A reserve optimization review should be conducted at the completion of the financial sustainability plan, to rebalance the Town's capital reserve and re-align them with the funding requirements set out in the plan.

- The Town needs in place relatively strong debt policies and practices, recognizing the potential for debt financing to support substantial growth pressures and aging infrastructure. The Town's practice should be to use debt to finance large projects with long-term benefits, as well as to mitigate cost increases that can arise from deferring work. The Town's practice needs to be use debt to finance larger projects with long-term benefits, and to mitigate cost increases that can arise from deferring work.