



LONG-TERM FINANCIAL PLAN & FINANCING STRATEGY

Town of Blind River



1.0 EXECUTIVE SUMMARY

The Town of Blind River has continually undertaken both operating and capital expenditures necessary to maintain tax-funded and rate-funded services, however, the investments made fall short of the required need. For example, the Pavement Condition Index (PCI) for the Town's Road Network continues to decrease as there is insufficient funding to address the backlog or repair/resurfacing that is required. This will continue to decrease the level of service provided to the public. The Town will need to continue to monitor funding levels as it relates to levels of service.

This section of the Plan is intended to help the Town build on the existing asset management practices in place. The Financing Strategies presented provide the Town with options to increase capital funding in a manner that will help reduce the funding deficit identified and maintain levels of service.

It should be noted that all values are presented in constant 2025 dollars.

2.0 OVERVIEW OF FULL LIFECYCLE COST MODEL

As part of this Asset Management Plan, the Town has identified the total full lifecycle costs for all assets. This includes an estimation of all costs associated with planning, design, construction, acquisition, operation, maintenance, renewal and disposal. In addition, it would also take into consideration any expansion related infrastructure. This ensures that any additional lifecycle costs associated with newly constructed/acquired assets are accounted for in the long-term forecast, if any.

The lifecycle activities can be broken down into six categories as identified in the table below. The Town's budget may account for the expenses related to these activities in different categories.

Table 1: Overview of Full Lifecycle Activities

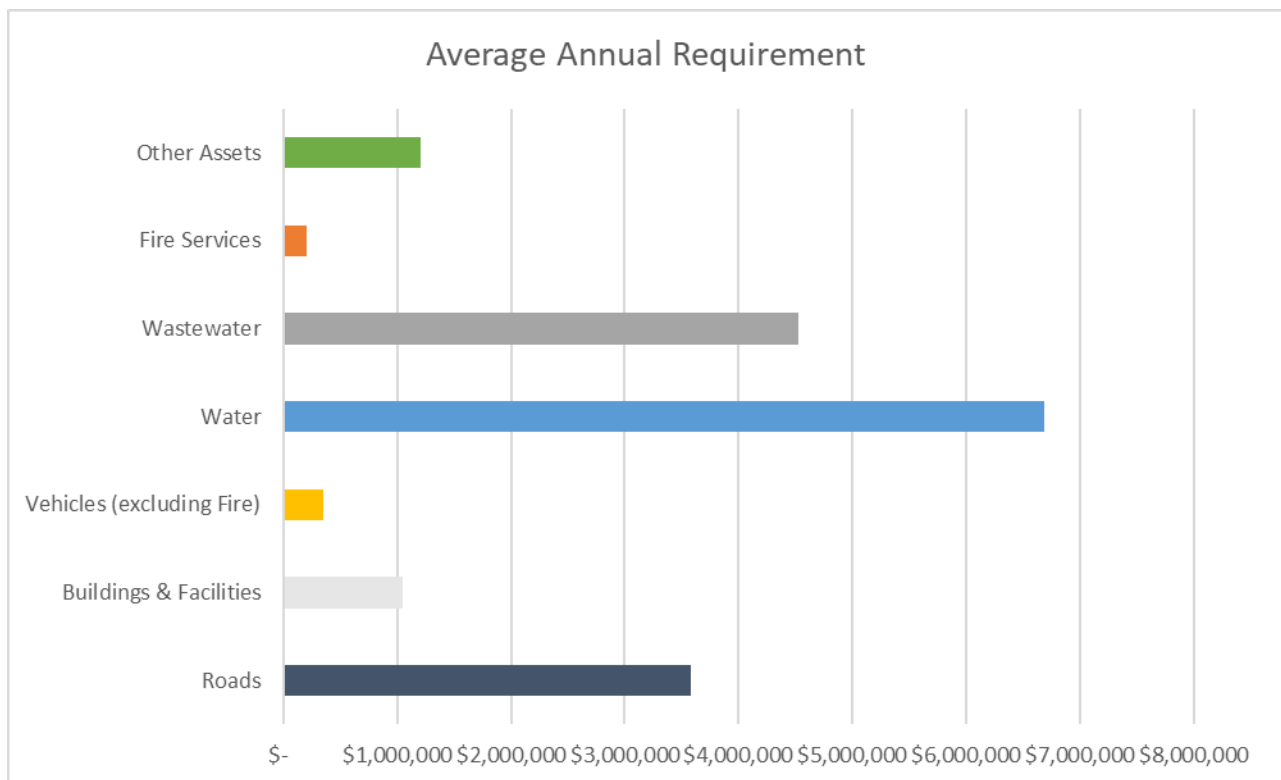
Category	Description
Non-Infrastructure Solutions	Actions or policies that can lower costs or extend asset life (e.g. better integrated infrastructure planning and land use planning, demand management, insurance, process optimization, etc.). Associated to work needed to manage assets but not necessarily direct work on those assets.
Maintenance Activities	Servicing assets on a regular basis to fully realize the original service potential. Maintenance will not extend the life of an asset or add to its value. Not performing regular maintenance may reduce an asset's useful life.
Renewal/Rehabilitation Activities	Mostly associated with significant repairs designed to extend the useful life of an asset. These types of activities are typically done at key points in the lifecycle of an asset to ensure the asset reaches its designed useful life.
Replacement Activities	Activities that are expected to occur once an asset has reached the end of its useful life and renewal/rehabilitation is no longer an option.
Disposal Activities	The activities associated with disposing of an asset once it has reached the end of its useful life or is otherwise no longer needed.
Expansion Activities	Planned activities required to extend or expand municipal services to accommodate the demands of growth.

The majority of the Town's assets are long-lived and it would, perhaps, be more useful to consider a longer planning period. However, O. Reg. 588/17 only requires that the planning period focus on the first ten (10) years to meet the levels of service. Over this planning period, the total costs associated with the lifecycle activities is estimated at \$250.4 million (an average of about \$25 million per year). The average annual need specifically for renewal/rehabilitation or replacement of assets is about \$17.6 million per year as outlined in the table and chart on the following page.

Table 2: Average Annual Renewal/Rehabilitation/Replacement Need by Asset Category

Asset Category	Average Annual Requirement
Other Assets	\$1.2 million
Fire Services	\$0.2 million
Waste Water	\$4.5 million
Water	\$6.7 million
Vehicles (excluding Fire)	\$0.4 million
Buildings & Facilities	\$1.0 million
Roads	\$3.6 million
TOTAL	\$17.6 million

Figure 1: Average Annual Renewal/Rehabilitation/Replacement Need by Asset Category



The average annual need for operations and maintenance is estimated to be \$5.1 million.

The difference between total need and these amounts is related to the expansion activities related to the New Water Source and the Wastewater Treatment Plant upgrades that are currently either underway or expected to occur over the next few years (a total cost of \$23.05 million).

3.0 ANALYSIS OF AVAILABLE REVENUE

The revenue sources available to the Town to address the identified full life-cycle cost requirements are limited. Generally, the type of capital project aligns to its funding source. For example, growth-related projects might receive most of their funding through Development Charges (DCs) in communities that impose DCs; replacement projects are predominantly funded through tax-based contributions for tax supported assets and water and wastewater rates for rate-based services.

When assets require rehabilitation or are due for replacement, the source of funds are essentially limited to reserves or contributions from the operating budget regardless of how the asset was originally funded. In the Town's case, because there are limited reserves for water and wastewater, most capital projects are also funded through tax-based contributions and infrastructure grants.

The following assumptions were made in the analysis of available revenues:

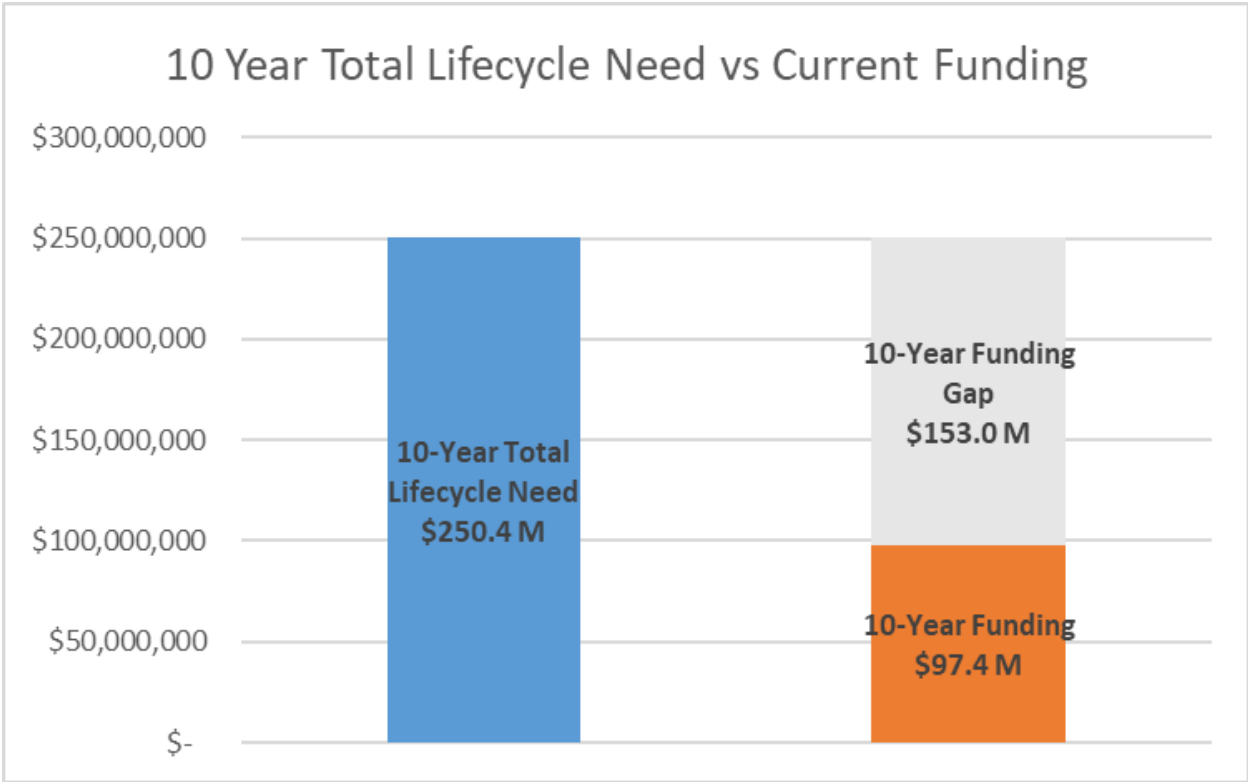
Table 3: Financing Strategy Key Assumptions for Tax Supported Assets

Assumptions	Cumulative 10-Year Revenue
Funding requirements for operations and maintenance will continue to be funded at 100%	\$51.34 million
The existing 2025 tax supported capital funding of approximately \$1.5 million is assumed to be the starting point and the base from which future increases were calculated The benchmark plan assumes tax-levy funded capital does not change	\$14.83 million
The annual Canada Community-Building Fund (CCBF) contribution for 2025 of approximately \$224,000 has been assumed to continue throughout the planning period	\$2.44 million
The annual Ontario Community Infrastructure (OCIF) contribution for 2025 of approximately \$1.135 million has been assumed to continue throughout the planning period Prior year unspent funds have also been allocated	\$12.09 million
Known (funding confirmed) other grants including the ICIP: Green Stream and the Housing-Enabling Water Systems Fund have been included	\$8.78 million
Costs related to renewal/rehabilitation or replacement of Golf Course assets have been assumed to be covered directly by the Golf Course	\$2.93 million
Contributions from reserves directly related to specific asset categories have been included	\$5.03 million
TOTAL	\$97.44 million

4.0 INFRASTRUCTURE FUNDING GAP

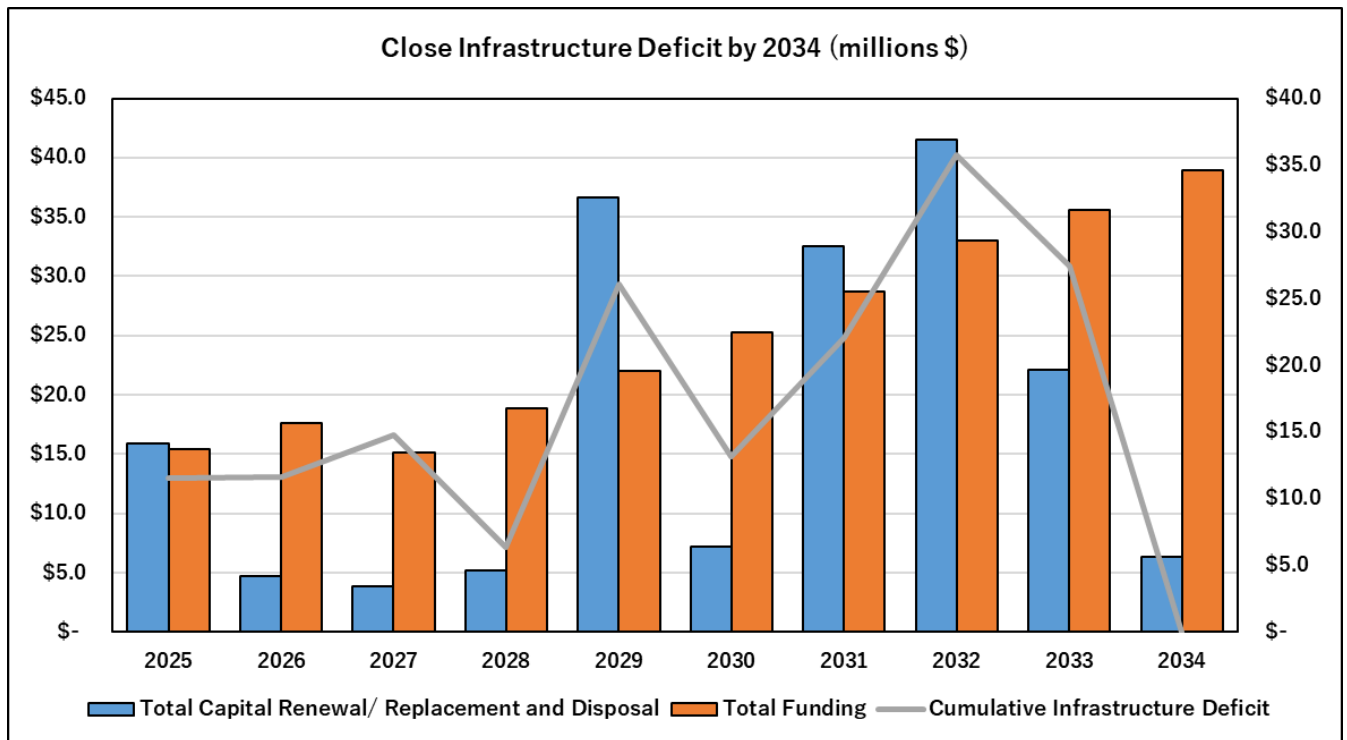
To implement sustainable asset management practices, the Town needs to understand the current infrastructure funding gap related to the full lifecycle costs estimated for the 10-year planning period. The funding gap shown in the figure that follows of \$153.0 million is the difference between the currently identified lifecycle costs and the known available funding over the 10-year period from 2025 to 2034. This funding gap represents a measure of the additional “ideal” spending that would need to be undertaken if all assets were repaired or replaced as identified. The table indicates that existing funding levels are insufficient to cover the projected costs over the 2025-2034 planning period.

Figure 2: 10-Year Total Lifecycle Need vs Funding (Benchmark Funding Gap for Tax Supported Assets)



If the Town were to implement a funding strategy to eliminate this funding gap within the 10-year planning period, the Town would be required to increase capital contributions on an annual basis by approximately \$3.4 million (i.e. an increase of \$3.4 million in 2026, an additional increase of \$3.4 million in 2027, etc.). The yearly revenue requirement is equivalent to about 42.6% of the Town’s 2025 tax levy revenues of \$7.99 million.

Figure 3: Close Infrastructure Deficit by 2034



It is unrealistic to expect the Town to address this “benchmark” funding gap in the short-term. Eliminating the gap by 2034 is an aggressive objective and should not be entertained for a number of reasons:

- The required capital contributions would necessitate an increase to property taxes beyond reasonable measure
- The Town would need to decrease or limit funding to other key services or initiatives to fund capital repair and replacement activities
- Assets can (and do) remain in use past their engineered design life and can perform to meet the Town’s level of service under these circumstances
- Prudent asset management strategies (such as monitoring asset conditions on a regular and on-going basis) can often extend the requirement of major repair or replacement of capital assets and may prolong the life of the asset.

That being said, not addressing the funding gap by not increasing the level of tax-levy funding for capital is not a prudent option. This will only increase the problem in the longer term.

5.0 ADDRESSING THE FUNDING GAP

There are a number of things that the Town can consider to help address the funding gap in the immediate short-term.

5.1 Dedicated Capital Levy

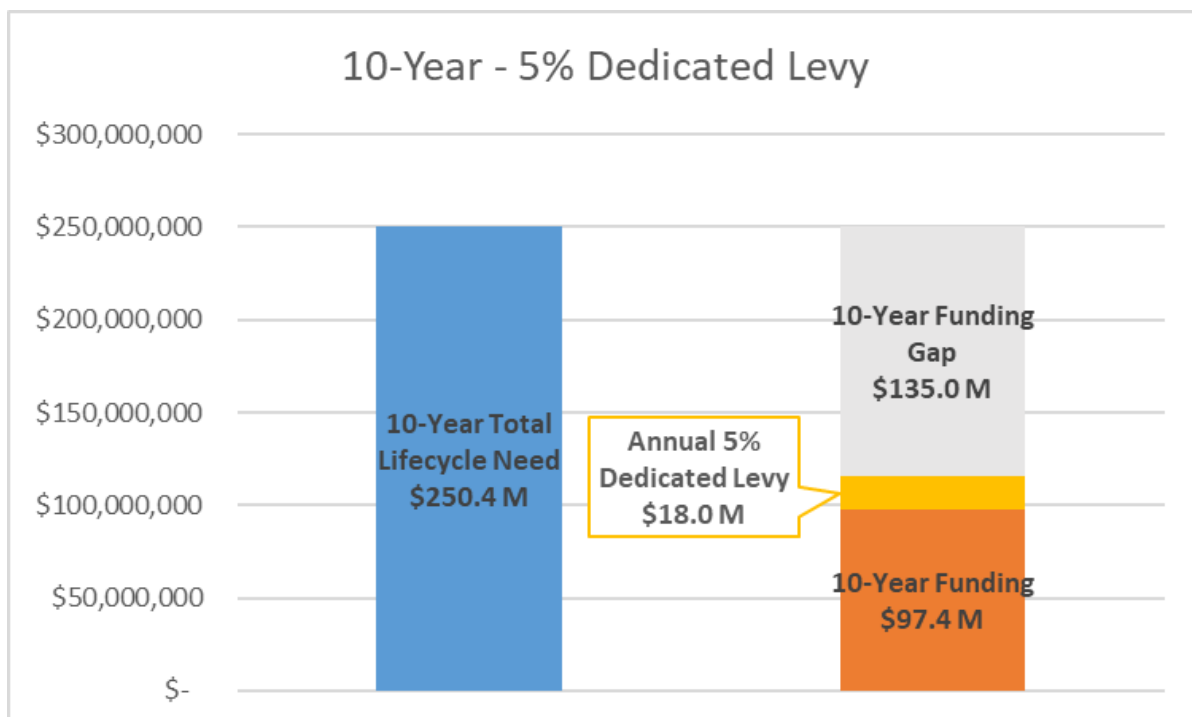
One strategy to begin to address the funding gap that is quite widely used among municipalities is to implement an annual dedicated capital levy. For example, a dedicated 5% capital levy would reduce the 10-year funding gap to \$135.0 million. It should be noted that this would be over and above any required levy increase for operating purposes. The table below outlines the changes to the funding gap at various levels of a dedicated capital levy.

Table 4: Dedicated Capital Levy Options

Dedicated Capital Levy	Funding Increase (Year 1)	Net Cumulative Change to Funding Gap (from Benchmark)
5%	\$399,393	(\$18.0 million)
3%	\$239,636	(\$10.8 million)
2%	\$159,757	(\$7.2 million)
1%	\$79,878	(\$3.6 million)
0.5%	\$39,939	(\$1.8 million)

The figure below shows the decrease in the funding gap from the benchmark-funding gap of \$153.0 million to \$135.0 million.

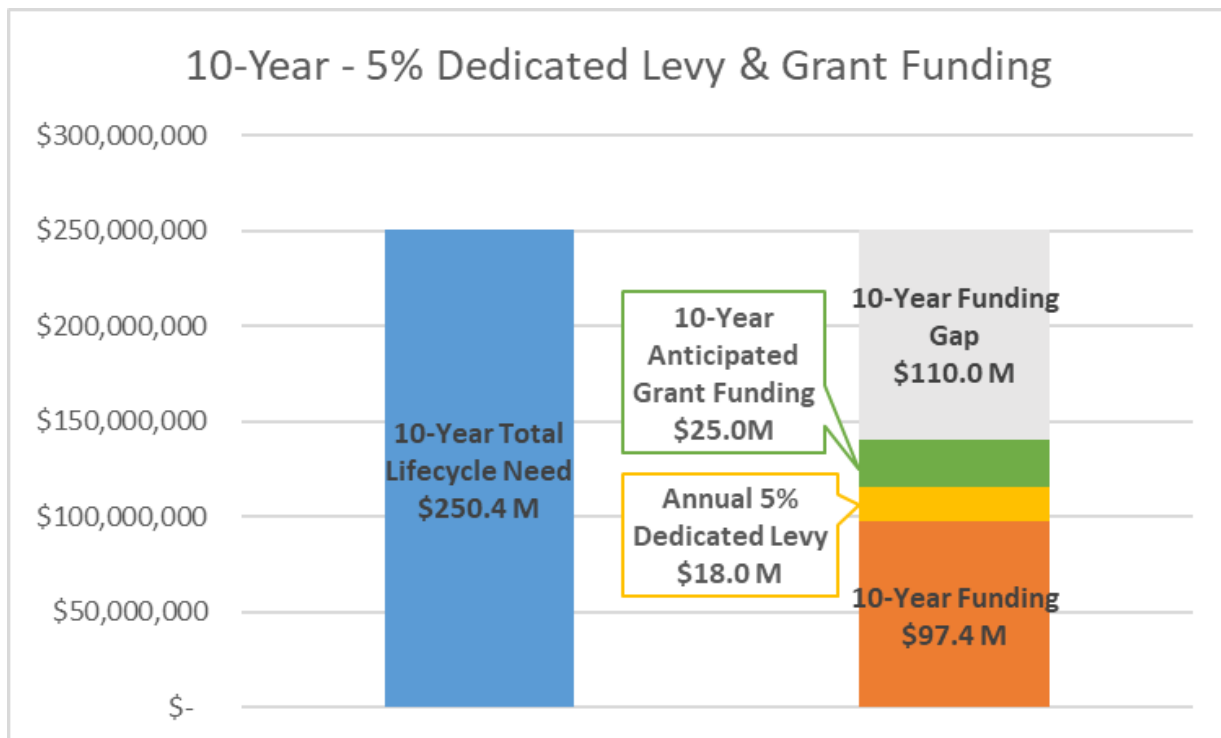
Figure 4: 10-Year Funding Gap with 5% Dedicated Tax Levy



5.2 Grants

The Town has been quite successful in obtaining application-based grant funding over the past number of years with total funding received in excess of \$18 million since 2018. Town staff will continue to identify these funding opportunities and submit applications where appropriate to address the Town's capital renewal and replacement needs. The figure below uses an annual average of \$2.5 million in grants based on the Town's previous success rate. This would reduce the funding gap by an addition \$25.0 million.

Figure 5: 10-Year Funding Gap with 5% Dedicated Tax Levy & Anticipated Application-based Grant Funding



However, these application-based grants are extremely competitive and should not be completely relied on to address the Town's funding needs.

5.3 Reserves and Reserve Funds

As was previously indicated, the current 10-year financial plan includes contributions from Reserves totaling \$5.03 million. All withdrawals from the Reserves were matched to currently identified projects within the Asset Management Plan. As the data within the plan continues to be refined, project timelines and required funding will change.

The table below projects the balances at the end of the 10-year planning window for those Reserves included in the Plan.

Table 5: Projected Reserve Ending Balances

Reserve	Projected Ending Balance	Assumptions
Fire Truck Reserve	\$452,851	• Annual contributions continue at \$125,000/year until 2030 to the original total of \$1.25M • Includes repayment for truck purchase to 2031
Equipment Reserve	\$123,736	• Annual unallocated contributions continue at \$50,000/year • Annual contributions for ice resurfacers continue at \$10,000/year • Includes repayment for Fire Breathing Apparatus to 2028
Facilities Reserve	\$1,990,421	• Includes unallocated contributions of \$200,000/year PLUS \$100,000/year for the Arena Roof
PW Storage Facility Reserve	\$409,350	• Includes contributions to 2027 only

The projected ending balances do not include any contributions to reserves that may result from annual operating or capital surpluses or sale of equipment.

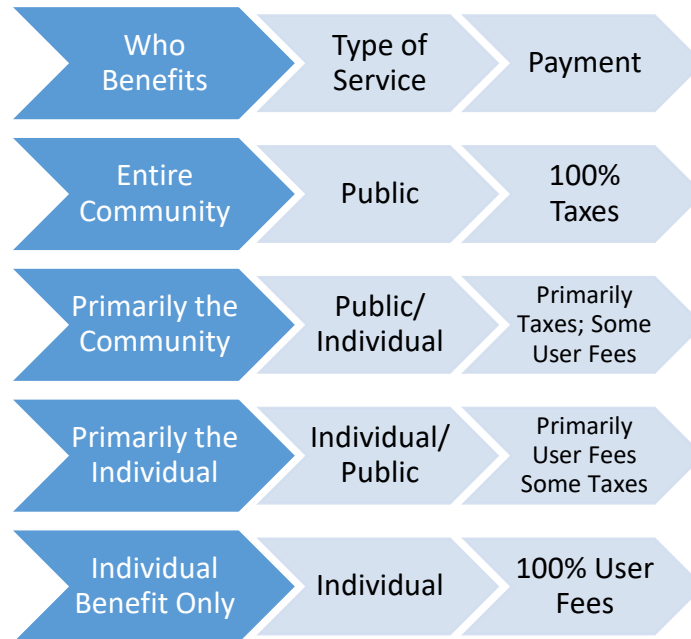
The table on the following page outlines the projected activity in these reserves by year.

Table 6: Projected Reserve Activity by Year												
Reserve	Opening Balance	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	Projected Ending Balance
<i>Equipment Reserve</i>												
- General	\$ (290,379.42)	\$ 98,437.70	\$ (90,370.26)	\$ (90,370.26)	\$ 49,629.74	\$ (3,857.00)	\$ (50,000.00)	\$ (50,000.00)	\$ 325,000.00	\$ 40,000.00	\$ (50,000.00)	\$ (111,909.50)
- Ice Resurfacer	\$ (6,826.07)	\$ (10,000.00)	\$ (10,000.00)	\$ (10,000.00)	\$ (10,000.00)	\$ 40,000.00	\$ (10,000.00)	\$ (10,000.00)	\$ (10,000.00)	\$ 35,000.00	\$ (10,000.00)	\$ (11,826.07)
Equipment Reserve	\$ (297,205.49)											\$ (123,735.57)
Fire Truck Reserve	\$ 15,148.74	\$ (143,000.00)	\$ (125,000.00)	\$ (25,000.00)	\$ (125,000.00)	\$ (125,000.00)	\$ (25,000.00)	\$ (125,000.00)	\$ 475,000.00	\$ (125,000.00)	\$ (125,000.00)	\$ (452,851.26)
<i>Facilities Reserve</i>												
- General	\$ (363,084.38)	\$ (96,121.75)	\$ 50,000.00	\$ (100,000.00)	\$ (100,000.00)	\$ (100,000.00)	\$ (100,000.00)	\$ (100,000.00)	\$ (100,000.00)	\$ (100,000.00)	\$ (100,000.00)	\$ (1,209,206.13)
- Arena Roof	\$ (159,064.40)	\$ (100,000.00)	\$ (100,000.00)	\$ (100,000.00)	\$ 255,000.00	\$ (100,000.00)	\$ (100,000.00)	\$ (100,000.00)	\$ 35,350.00	\$ (100,000.00)	\$ (100,000.00)	\$ (668,714.40)
- Council Sound System	\$ -	\$ (37,500.00)	\$ (37,500.00)	\$ (37,500.00)								\$ (112,500.00)
Facilities Reserve	\$ (522,148.78)											\$ (1,990,420.53)
PW Storage Reserve	\$ (300,000.00)	\$ (5,000.00)	\$ (90,000.00)	\$ (50,000.00)	\$ 18,000.00	\$ -	\$ 17,650.00	\$ -	\$ -	\$ -	\$ -	\$ (409,350.00)

5.4 Other Resources

5.4.1 User Fees

Figure 6: Tax Levy vs User Fee Rationale



Every year, as part of the budget process, Town staff review the Municipal User Fees and bring recommendations forward to Council for increases to current fees as well as recommendations for new fees. Increasing User Fees is a way to not only offset Operating Budget pressures but also a way to free-up Tax Levy funds for Capital projects. Council needs to be supportive of staff recommendations to identify new revenue streams especially those that are not of benefit to the entire community. Examples of these types of fees include gravel supply for private roads, landfill tipping fees, and facility-use fees.

5.4.2 Long-Term Debt

The Town of Blind River's ability to borrow funds for Capital Projects is severely limited by the outstanding CMHC debt. The Town has been fortunate in the past few years to be able to borrow limited funds through our bank.

One thing that may help to improve the Town's chances in the coming years is to set up a sinking fund to address the CMHC balloon payment that is due in 2037. This will, however, put additional pressure on the annual Operating budgets.

5.4.3 Reduction of Service Levels

Failure to address the funding gap identified by the Asset Management Plan will naturally result in service level reductions. For example, failure to fund all of the

identified road repairs will result in a decrease to the Town's overall Pavement Condition Index (PCI).

There are also other things, though, that Council could consider. A few examples of service level decreases that could be considered include:

- Only plowing sidewalks on one side of the street in certain areas
- Discontinue the removal of snowbanks from the sides of the roads in certain areas
- Designing roads to be narrower when they are reconstructed
- Ensuring that all new sidewalks are the correct width for the sidewalk plow

The Town should continue to monitor and measure levels of service across all service areas to determine if these levels are adequate, required, and sustainable in the long-term.

5.4.4 Population Growth

If the Town can increase the housing supply and, as a result, the tax-base, this will help to reduce the current individual tax burden. However, this could be a double-edged sword as new residents may demand an increase in service levels based on what they were used to in other municipalities.

5.5.5 Asset Management Maturity

As the Town matures its asset management practices, improving data quality across service areas will help to achieve a better assessment of the condition of assets. Improved lifecycle cost data will facilitate evidence-based decision-making and support in achieving the lowest lifecycle costing through prioritization of repair and replacement activities.

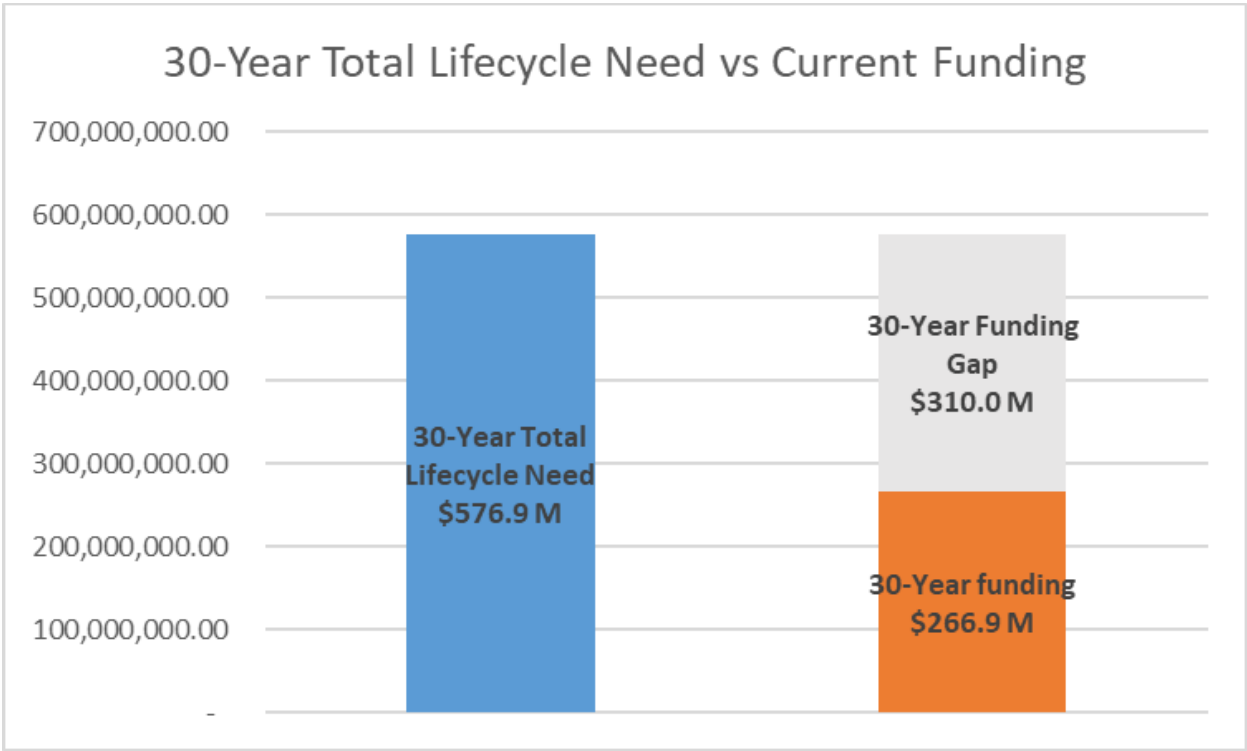
Staff will also continue to bring forward new and innovative solutions for replacement and rehabilitation of assets. This may include:

- Replacement of multiple existing assets with a multi-purpose asset (as was seen in 2025 with the replacement of 2 Public Works vehicles – the water truck and a plow truck – with one vehicle that provides both services)
- Proposing new and innovative technologies that may prolong the life of existing assets or have longer estimated useful lives than the assets being replaced

6.0 CONCLUSION & RECOMMENDATIONS

As has been identified, the Town of Blind River will not be able to fully eliminate the funding gap over the next 10 years. A preliminary review of the 30-year total lifecycle needs also indicates that the situation will not change.

Figure 7: 30-Year Total Lifecycle Needs vs Current Funding



It should be noted that the data in the AMP beyond the initial 10-year planning period has not been reviewed in detail by staff as this was outside of the scope of the current plan.

While the Asset Management Plan will continue to be the foundation of future Capital Budget discussions, staff and Council will need to continue the past practice of prioritizing projects based on current asset conditions and available funding. The following list of recommendations will assist in addressing the funding requirements in future years.

Table 7: Recommendations

Recommendation	Rationale
Implement a dedicated Capital Levy	Even if funds are not required in any given year, these funds can be set aside in a Capital Reserve for future years
Continue to apply for grants	Staff will continue to apply for grants that are applicable to those projects identified in the Asset Management Plan
Continue to budget for contributions to Reserve and Reserve Funds	Several reserves have been identified as funding sources in the current plan It is imperative to continue contributions in future years to ensure these reserves are not drawn down to \$0
Increase User Fees/Establish New User Fees	Increasing current User Fees and charging new User Fees where appropriate will decrease pressure on the Operating Budget and free up tax-levy funds for Capital
Use of Long-Term Debt/Sinking Fund	The Town should continue to explore opportunities with lenders to borrow funds for larger projects The establishment of a sinking fund to address the CMHC balloon payment may assist
Review Levels of Service	The Town should continue to monitor and measure levels of service across all service areas to determine if these levels are adequate, required, and sustainable in the long-term
Asset Management Maturity	Staff should continue to review and refine the data within the Asset Management Plan to ensure it reflects more accurately the current condition of assets and the required renewal/replacement requirements