

# VILLAGE OF BELCARRA

## FINANCIAL FORECAST

PHASE 3 - SUMMARY REPORT

MARCH 2022

PREPARED BY:

JW INFRASTRUCTURE PLANNING



# PROJECT OVERVIEW

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## Phase 1 – strategy and roadmap

- Assess current AM practices at Belcarra
- Develop AM Strategy and Roadmap

## Phase 2 - assess the current state of the Village's infrastructure

- Update the asset inventory
- Assess the condition of the assets
- Develop the asset replacement forecast

## Phase 3 – financial forecast

- Understand current capital needs
- Evaluate current financial capacity
- Develop financial projection

# REPORT OVERVIEW

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1. Objectives
2. Current Funding Capacity
3. Current Financing Capacity
4. Financial Forecast

# OBJECTIVES

# PHASE 3 OBJECTIVES

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The objective of phase 3 was to:

- Gain an understanding of the Villages current funding and financing capacity
- Develop a financial forecast
- Provide conclusions and recommendations

# CURRENT FINANCIAL CAPACITY

# FUNDING AND FINANCING

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## FUNDING

What goes into the Villages bank account:

- Taxation
- User Fees
- Other

## FINANCING

How *projects* get paid for:

- Current years revenues
- Reserves or surplus funds
- Debt
- Grants

# DISCUSSION

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It is important to understand the differences between funding, annual spending, and financing. Funding available for capital is the money left over annually after all the cash expenses are paid. That money is generally deposited into one or more reserve accounts. Annual spending is the value of the capital program in any given year.

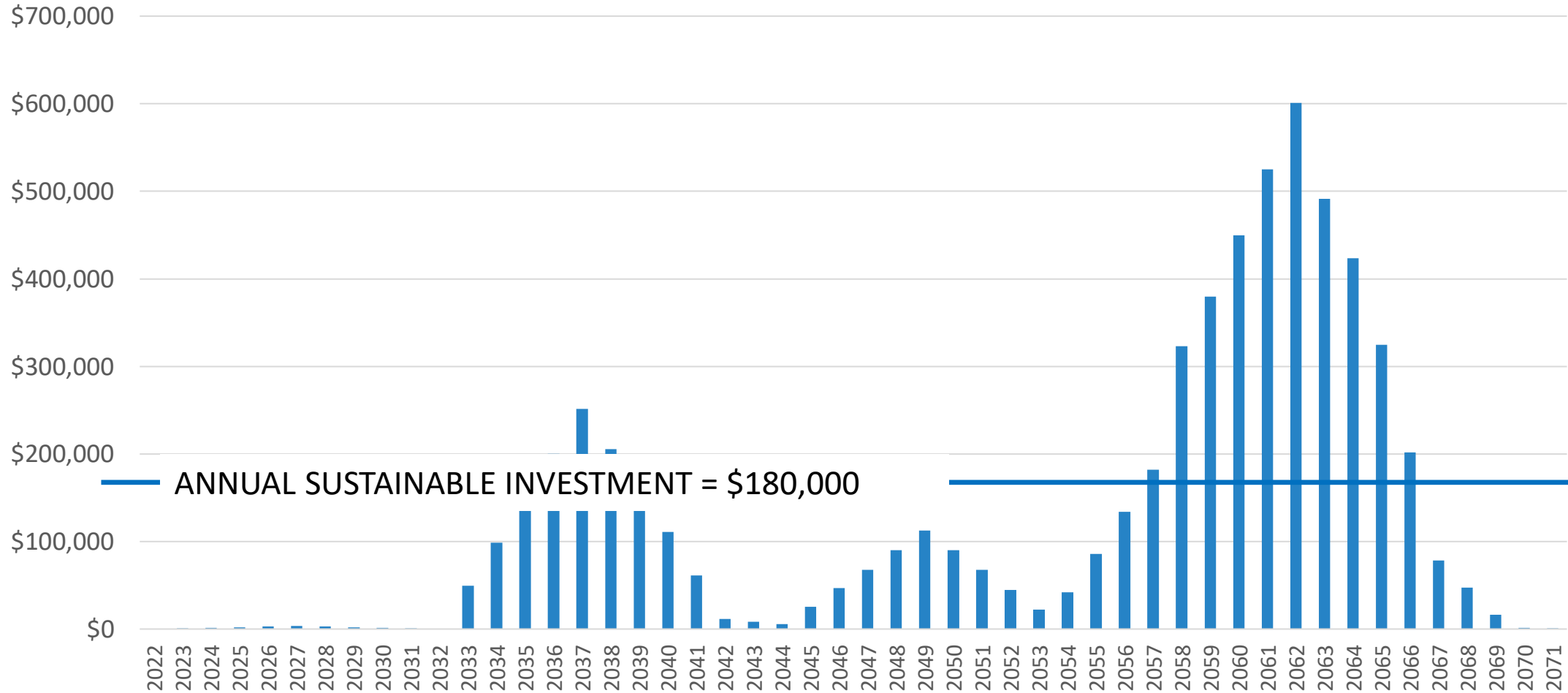
Spending will vary annually and through the decades depending on the age and condition of the infrastructure and on other capital priorities that may arise. Funding needs to remain consistent so that reserves can be accumulated in years where spending is low and those reserves can be drawn from in years where spending is higher. This keeps tax rates and user fees stable and is equitable for current and future generations of tax payers.

Financing is how a project in any given year is paid for. Generally, this would be from reserves for smaller projects and possibly from debt for large projects where the reserve funds are not sufficient.

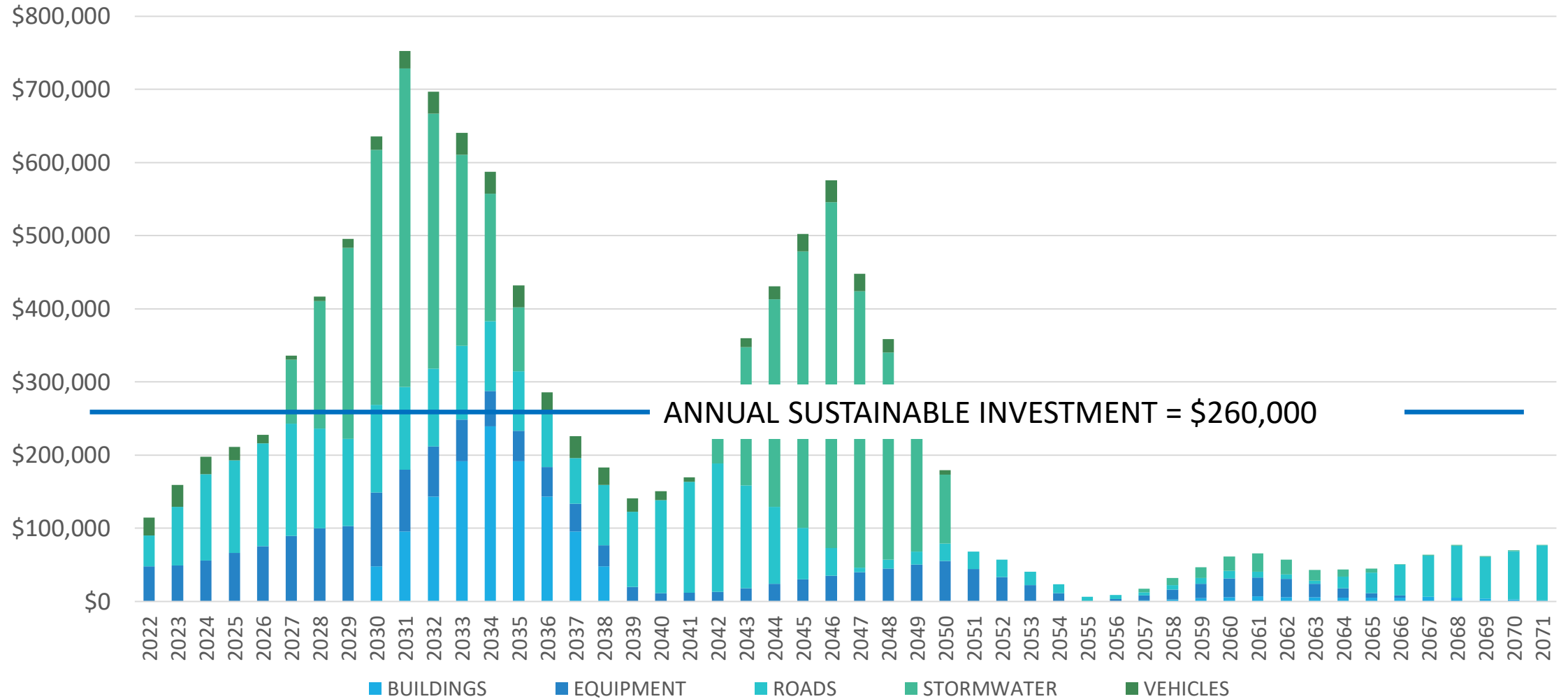
The following four charts show the projected annual spending over the next 50 years and 20 years respectively together with the required funding level to ensure future required asset replacements can be accomplished.



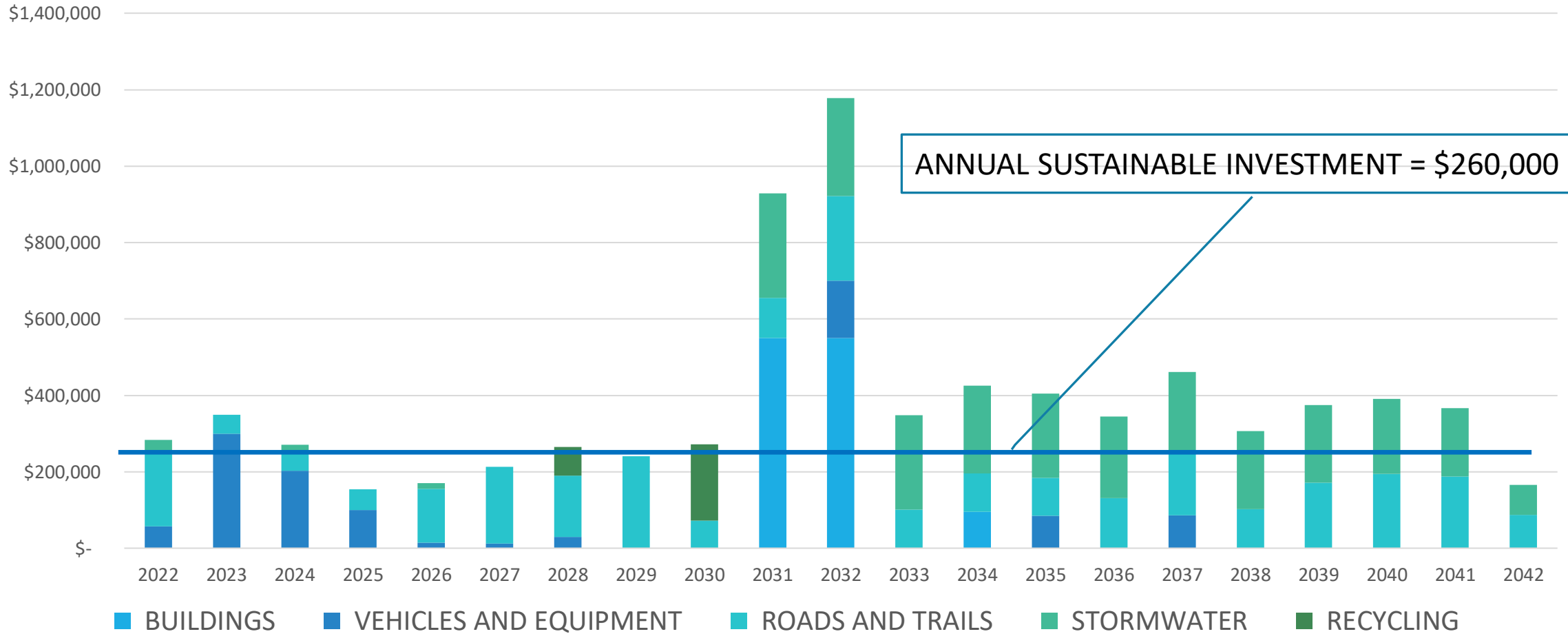
# WATER FUND ASSET REPLACEMENT FORECAST



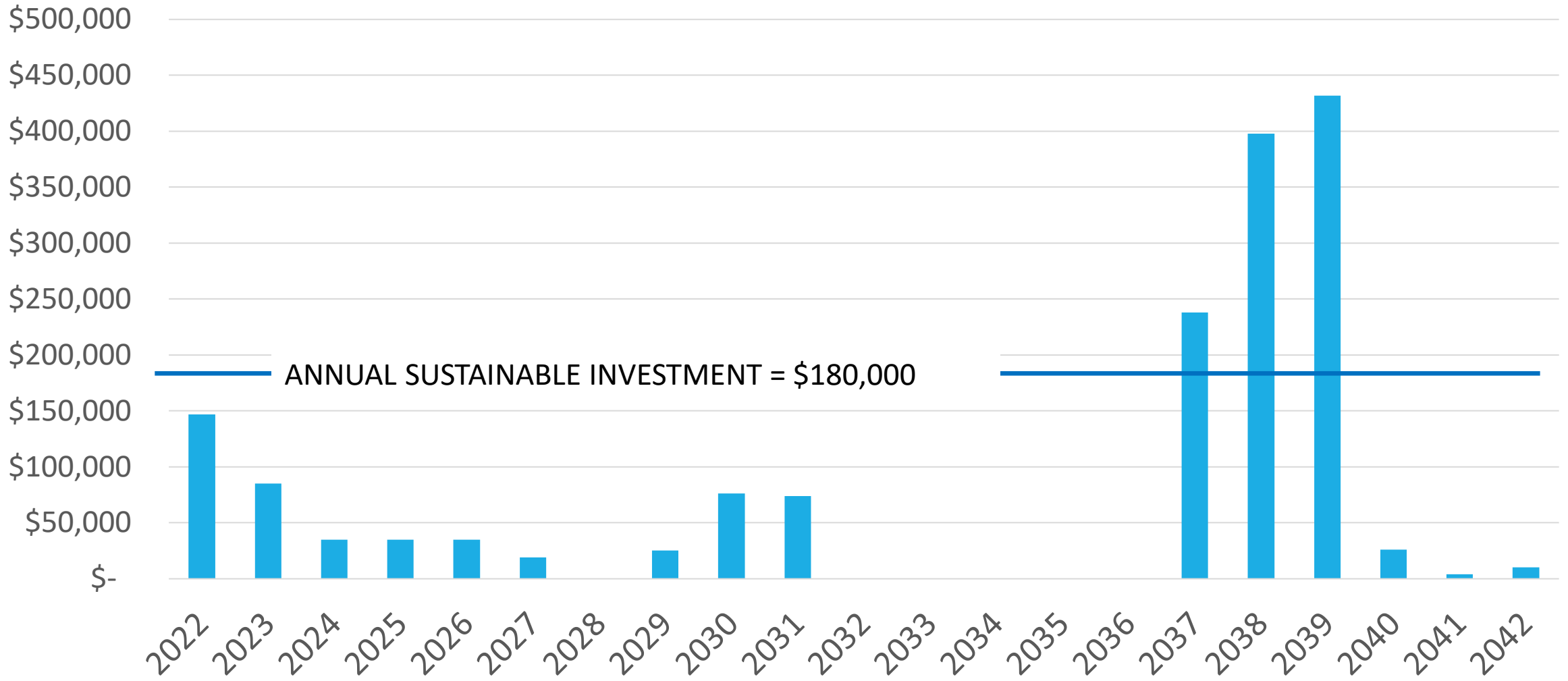
# GENERAL FUND ASSET REPLACEMENT FORECAST



# GENERAL FUND 20 YEAR FORECAST



# WATER FUND 20 YEAR FORECAST



# AVERAGE ANNUAL SPENDING 5 YEAR, 20 YEAR AND FULL LIFECYCLE

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FUND	5 YEAR AVERAGE*	20 YEAR AVERAGE**	ANNUAL FUNDING TARGET**	CURRENT FUNDING CAPACITY
GENERAL	\$246,000	\$375,000	\$260,000	\$445,000
WATER	\$67,000	\$80,000	\$180,000	\$50,000
<b>TOTAL</b>	<b>\$313,000</b>	<b>\$455,000</b>	<b>\$440,000</b>	<b>\$495,000</b>

- From 2022-2026 Capital Plan

\*\* From the Asset Replacement Forecast (Existing assets only)

# FUNDING CAPACITY OBSERVATIONS

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The funding levels within the General Fund are at a strong level in terms of maintaining the current levels of service over the long term (replacing like for like). The resulting annual surplus can help to build reserves to fund new assets and to increase service levels within the existing assets.

The funding level within the water fund results in a deficit of \$130,000. This is understandable given that the annual debt servicing costs are approximately \$235,000 per year. Once this debt is retired in 15 years the debt servicing costs can be diverted to the funding of capital renewal.

Based on this information the Village is doing a good job overall on achieving sustainable funding levels.

Whether the funding capacity is adequate to allow the Village to provide new services or upgrade existing assets is dependent on the priorities of the community and the balancing of service levels with increases to taxation and user fees.

# FINANCING CAPACITY

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FUND	CURRENT RESERVES	CURRENT TOTAL DEBT
GENERAL	\$1,272,000	NIL
WATER	\$152,000	\$3,160,000
<b>TOTAL</b>	<b>\$1,424,000</b>	<b>\$3,160,000</b>

# FINANCING CAPACITY OBSERVATIONS

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The General Fund has total un-restricted reserves of approximately \$1.3 M and additional total debt capacity of about \$3.5 M. This amount seems reasonable to deal with any near term needs or unexpected events. These reserves will continue to grow with the current level of annual contributions which will put the Village in a good position to deal with future drainage, facilities and roads renewal work.

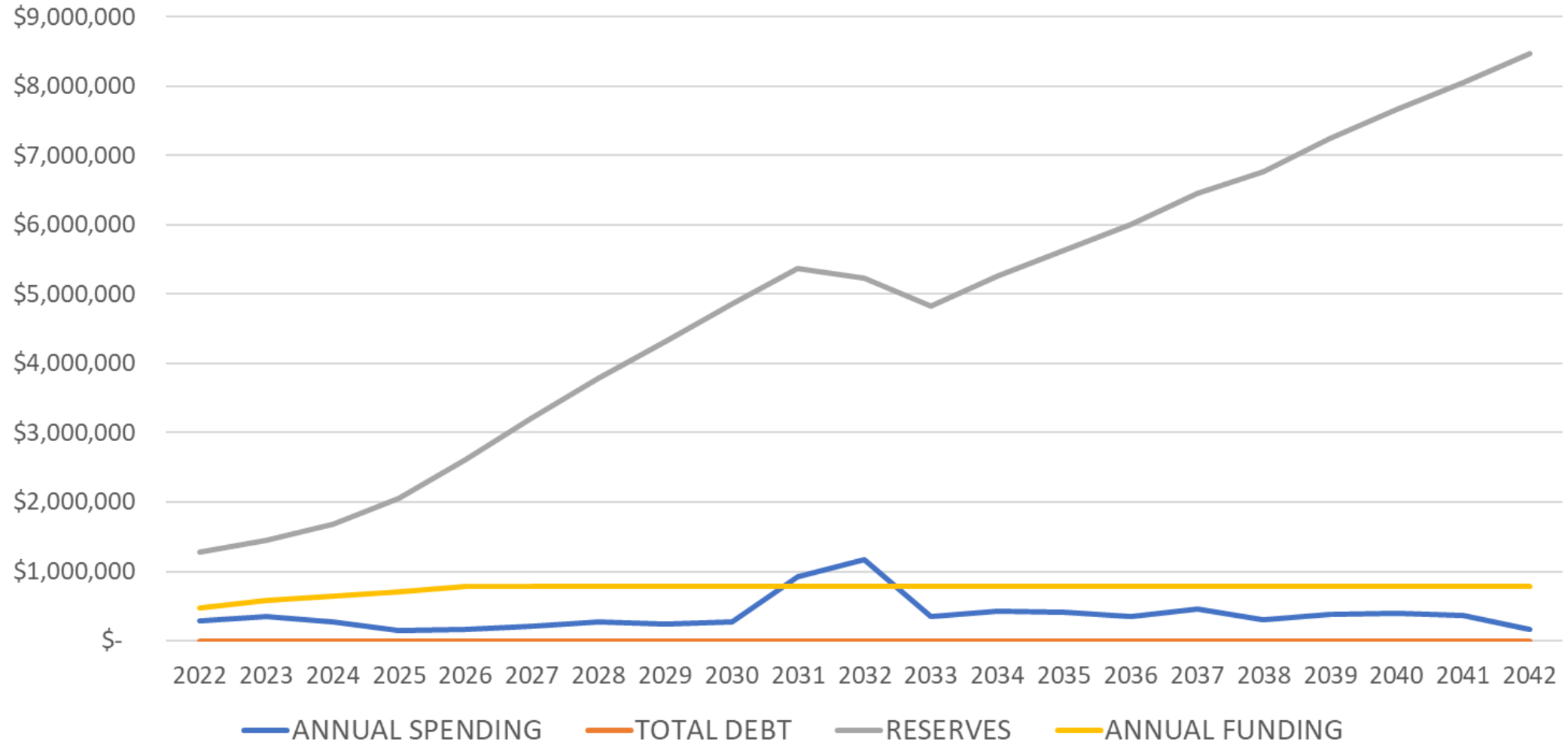
The Water Funds total un-restricted reserves of approximately \$150,000 are low, and therefore debt will likely be required for any major projects in the near future (such as a new reservoir). The vast majority of the water systems infrastructure is early in its lifecycle and therefore the current annual capital needs will be modest.

The current total debt of \$3.2 M represent approximately 50% of the maximum level of debt allowed under Provincial regulations. The Village should be cautious regarding acquiring new debt so that the remaining capacity can be maintained for unforeseen circumstances or emergent opportunities.

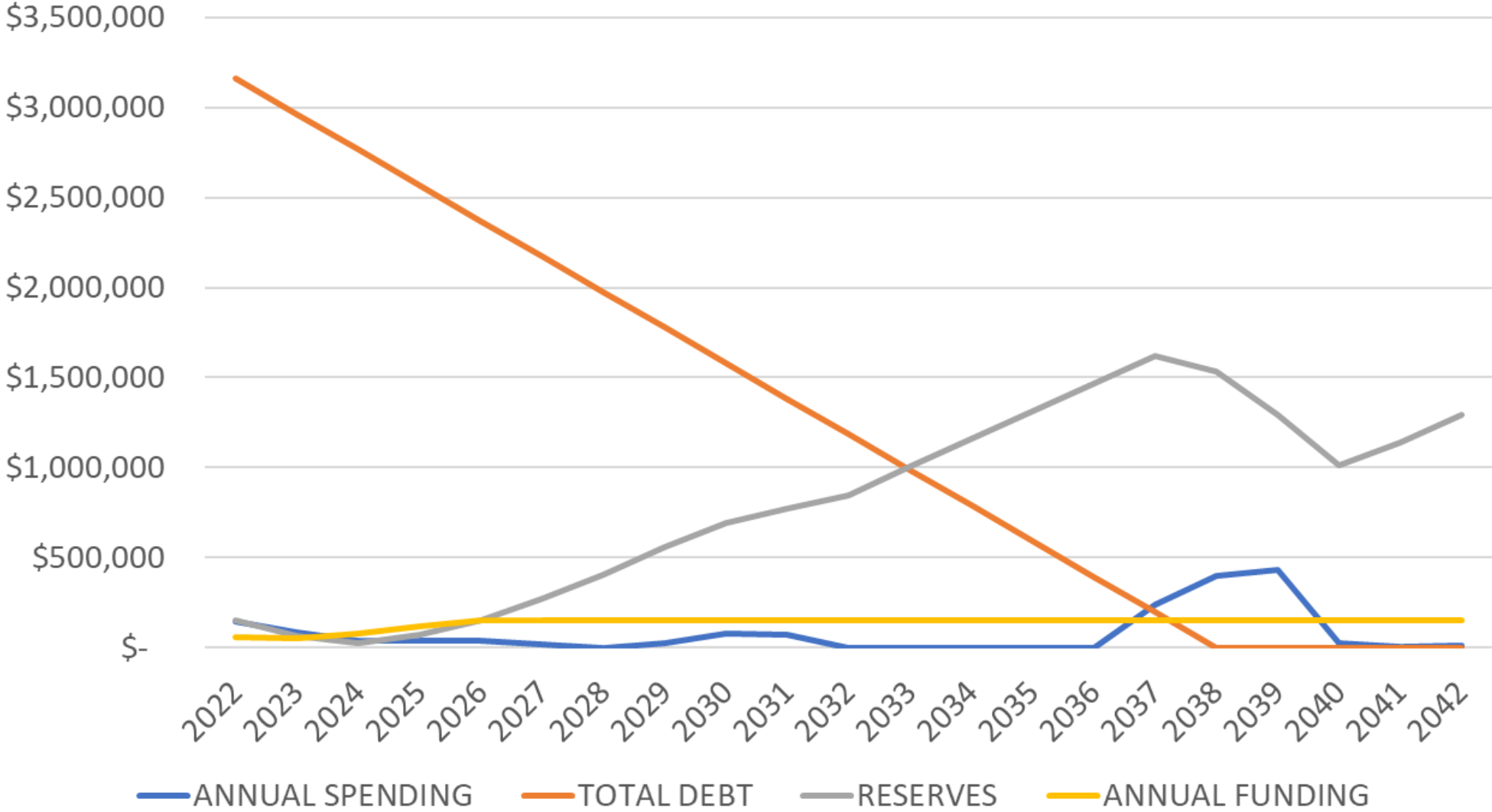


# FINANCIAL PROJECTIONS

# GENERAL FUND 20 YEAR FORECAST



### WATER FUND 20 YEAR FORECAST



# CONCLUSIONS

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Overall the Village has done a very good job at putting Belcarra into a position of relative financial strength. The current funding levels and planned future increases will allow Belcarra to strengthen their reserves which will reduce the need for future debt when large projects arise (such as the replacement of the Village Hall, enhancement of community trails, or the upgrading of the Tatlow reservoir to enhance fire protection in the Village).

The Village should be cautious with respect to acquiring any significant new debt until after the current water system debt is retired in 2037. It is recommended that the remaining debt servicing capacity be reserved for unforeseen events.

The Village would benefit from undertaking condition assessments of the storm drainage infrastructure. Doing CCTV camera inspections on 10% of the system annually would reduce the risk of unexpected failures resulting in road washouts and/or property damage. The Village should also continue with implementing the drainage improvements identified in the 2017 drainage study with consideration of opportunities to daylight buried pipes if practical.

# CONCLUSIONS (2)

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The Village should also consider accelerating the road rehabilitation program as recommended in the 2018 Roads Asset Management Plan. Failure to properly maintain the roads surface could lead to failure of the road base resulting in a much costlier rehabilitation costs in future years.

It was observed that there are service level improvement projects that weren't identified in the current capital plans that merit consideration, most notably office space improvements. Office space is very limited for staff, which includes space in the main office, space for the building inspector, who works in an ATCO trailer and space for Public Works staff, who work out of a converted shipping container, space for the WARD attendant and Bylaw Officer, who work out of a trailer at WARD. Additional space is also required for records management, as the current records management filing space is near capacity. A review of all office space is recommended.

In closing, the Village is well positioned for a sustainable future as well as enhancements to the current services.

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