



# 10-Year Lifecycle Program

AMO August 2016

Making User Fees and Tax  
Levies Work



# Lifecycle Program

- Tecumseh utilizes a Lifecycle Program to fund replacement of capital assets
- Annual allocation to Lifecycle Reserves from General Tax Levy
- Specific capital projects brought forward to Council after budget adoption for approval



# Lifecycle Program

- 2004 Roads Needs Study identified \$46-million of roadwork for the upcoming 10-yr period
- 2004 Lifecycle (Capital) budget allocation from General Tax Levy was \$2.7-million
- Used other available studies to determine funding requirements for capital asset replacement by asset type, including peer studies
- Lifecycle study calculated annual requirement of \$6.9-million = \$4.2-million annual shortfall or a 156% increase to existing annual lifecycle budget allocation



# Lifecycle Program Goals

- Allow strategic decision making based on infrastructure needs rather than availability of funding in any given year
- Ensure financial stability for the corporation
- Moderate, planned tax increases to meet Lifecycle needs
- Confidence for Industry wishing to invest in Tecumseh
- Allow Council to make informed decisions



# Strategic Approach

- 2005 Budget – Lifecycle Program
  - Requires a long term Lifecycle/Capital/Debt strategy to achieve full funding
  - Strategic use of debt and reserves to achieve funding while minimizing tax increases
  - Achieve goal with 10-year phase-in
  - 100% funding for known infrastructure by 2015



# Funding Options

- Considered various strategies to achieve annual target, including:
  - Tax levy increases
  - Use of grant funding
  - Long-term debt
  - Other sources of revenue



# 10-Year Lifecycle Program

- Established 20 Lifecycle categories
- Increase general tax levy 3.9% in 2005
- Increase general tax levy by 2.9% each following year, 2006-2014
- Gas Tax Grant allocated to support funding, approx. \$1.1-million per year
- Draw down on certain existing reserves over the 10-year period to smooth annual impact
- Long-term debt incurred for Roads and Bridges, to ensure full funding was available immediately for these two services



# Implementation - Communication

- Investment in software (PSD and FMW) to assist with Lifecycle planning, debt management and long-term budgeting
- Incorporated two outlook years in annual operating budget process for all departments
- Incorporated five year tax levy forecast in annual budget process – highlighting major drivers
- Enhanced Annual Budget document (GFOA Distinguished Budget Presentation Award standards), improving document's ability to serve as a communication device





# Implementation – Challenges & Affirmation

- Annual budget process and document - include update on progress towards achieving goals
- Council dedication to the Program through difficult economic times during 2008-2010
- Significant OPP policing cost increases during 2010-2014 (averaged > 1.6% annual increase to general tax levy each of five years)
- Significant land acquisition in 2011
- Asset Management Plan completed in 2013 – confirms annual Lifecycle funding within reasonable range – however highlighted need for New Infrastructure Reserve



# Implementation – Goals Achieved

- Lifecycle funding target achieved with adoption of 2014 budget – annual levy increases followed the original plan for all but two of the ten years (2010 and 2011, 2.3% and 1.4% respectively)
- Base Tax Rate (RT) increased 70% from 2004 to 2015
- RT increase for other Lower Tier Municipalities in Essex County averaged 40% over same time period
- Town Financial Position strengthened (Key Financial Performance Indicators included in budget document compare very well to peers)

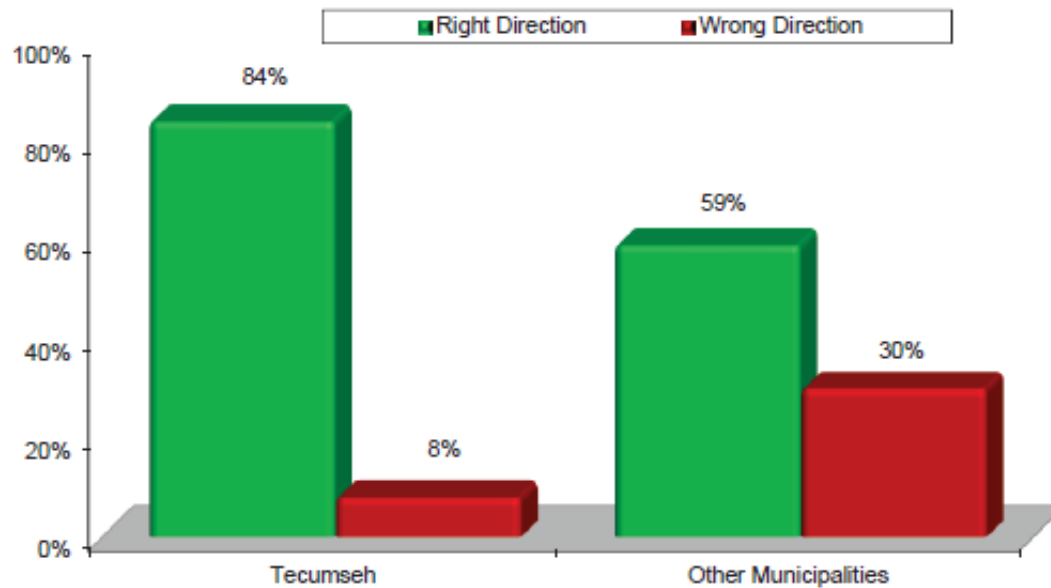


# Resident Satisfaction Survey - 2013

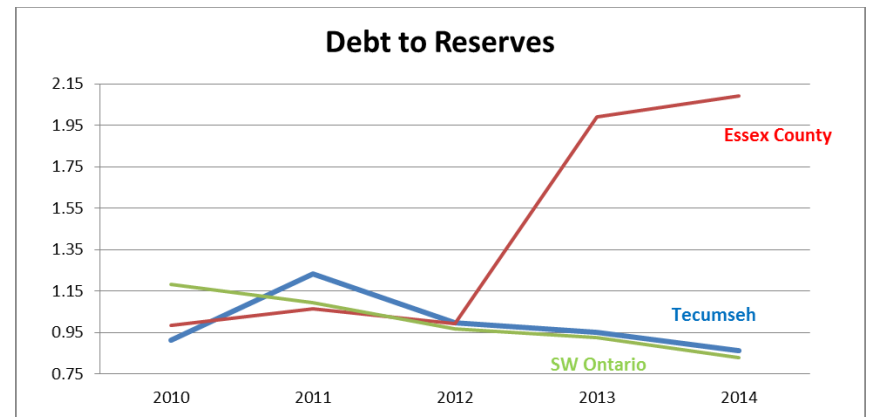
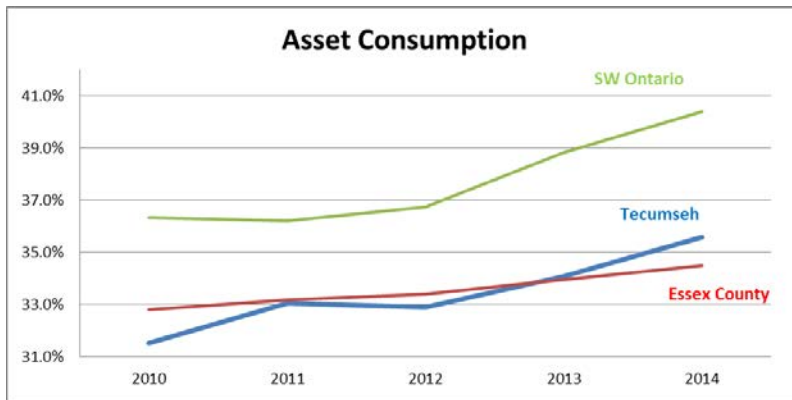
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## Perceived Direction of Tecumseh - Town Results Versus National Norms -

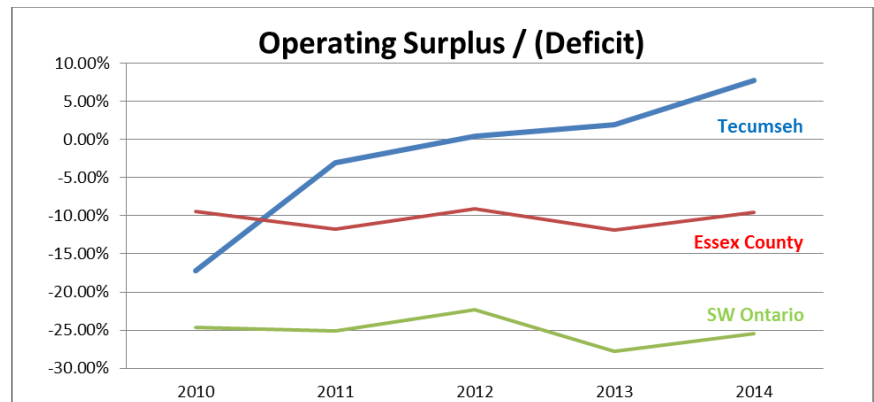
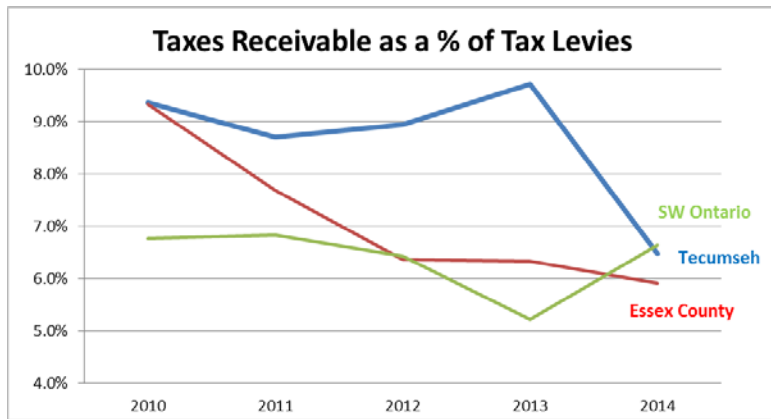
3. "Overall, would you say things in Tecumseh are going in the right direction, or the wrong direction?" (n=402)



# Financial KPI



# Financial KPI



# Q & A

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