

EDMM Report ID#107040

Could the funding of amortization expense be a sustainable method of funding infrastructure spending?

Executive Summary

The report explores the viability of funding annual depreciation as an expense within the operating budget of a municipality to provide sustainable means of funding infrastructure replacement/betterment. The brief review of the current environment of fiscal constraints and the prevailing interest in finding new revenues for new infrastructure sets a daunting scene. The point is made that current asset inventories seem to be forgotten but continue to need replacement and betterment.

The County of Lambton's Emergency Medical Services department experience of successfully implementing a funded depreciation process to sustain a reserve for asset replacement was presented as an example of how it can be accomplished.

A review of PSAB 3150 introduces the concept of 'future economic value' and the generally accepted accounting principles of 'matching' and 'timing'. These concepts support the concept that assets should be expensed over their lives. It was also noted that not everyone agrees with the accrual accounting model.

A detailed description of the data obtained from the County of Lambton and how that data was analyzed provides the foundation for four appendices. Appendix A displays the County of Lambton's current Asset Management Plan. Appendix B graphs four potential spending patterns. Appendix C shows how the calculated spending would be utilized for Tangible Capital Asset purchases or additions to the Funded Amortization reserve. Appendix D presents the annual Total Cost of Assets balance broken down into the following: funded amortization costs, unfunded amortization costs, new amortization costs, unamortized TCA costs and new TCA costs.

The report illustrates that the funding of amortization expense can be a sustainable method of funding infrastructure spending but it does not demonstrate that it is a viable option in the current environment of fiscal constraints. Council members are too concerned with scarce funding to consider an infrastructure funding strategy that takes decades to establish. The backlog of infrastructure projects demands immediate attention and this strategy does not provide a quick fix.

Unfortunately, the focus on new assets rather than the replacement/betterment of the existing inventory compounds the issue. Councils are advised to seek new assets that provide new sources of revenue. Existing assets are deemed recyclable and at the end of their purpose despite being the infrastructure society relies on daily.

Governments struggle to act like private business due to their continued perception that operating is operating and capital is capital. As accrual accounting becomes accepted or at least understood; value for money will be achievable. Recognizing that the municipality is a single entity is crucial to its financial health.

Hints that the Province could impose a regulated solution are simple desperation. The most viable option is, as used by the County of Lambton, a gradual low-key process of funding amortization a little more each year while using the prior year's funds. This reduces the incremental impact on each annual budget

Therefore, the report recommends that funding depreciation as an expense within the operating budget of a municipality should be implemented on a gradual basis over the next two decades. The funds raised from this expense should be placed in a Funded Amortization reserve and they should be made available for the purchase of Tangible Capital Assets as needed in subsequent years.

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Scope and Methodology

This report sets out to establish the viability of funding annual depreciation as an expense within the operating budget of a municipality to provide a sustainable means of funding infrastructure replacement/betterment expenditures. The report does not attempt to identify new sources of revenue for municipalities. It illustrates a means of identifying and prioritizing the funds required to implement a well-conceived and viable Asset Management Plan.

The report begins with the existing Asset Management Plan developed by the staff at the County of Lambton. A cash flow analysis will illustrate how setting the annual funding level at the depreciation charged in the most recent Audited Financial Statements can be used to create a reserve. The report will attempt to illustrate how using the reserve will allow a predictable and steady level of funding to finance the often volatile needs of the asset replacement/betterment process.

The report will end with an assessment of the results of the attempt to fund infrastructure expenditures through funding depreciation expenses to a funded amortization reserve. The concept will be evaluated in terms of viability from both the fiscal aspect and the political aspect.

Introduction

Even prior to the first Public Sector Accounting Board (PSAB) compliant financial statements of 2009 being published; the funding of the backlog of infrastructure projects was being touted as government's next big challenge. Most of the discussions have been focused on finding, creating or repurposing revenues to pay for new infrastructure to provide new services and revenues. In 2015, Michael Fenn advised that municipalities "remember the practical advice of Walter Gretzky to his son Wayne:

*'Don't skate to the puck. Skate to where the puck is going to be.'*¹

The Great One took the advice to heart and the rest, as they say, is history. Unfortunately, the National Hockey League is cluttered with players who are trying to follow that same advice but having dismal careers. Wayne's true greatness was his ability to correctly predict where the puck was going to be. It is yet to be seen if municipalities have that ability, or the capacity to obtain that ability, to predict where their "puck" is going to be.

Don Drummond in 2012 not only urged government to act like private enterprise and focus on 'value for money'. His report specifically recommended that:

*"Higher priority should be assigned to programs and activities that invest in the future as opposed to those that serve the status quo."*²

This bodes well for Light Rail Transit and other future oriented projects but what about the less glamorous work of replacing culverts and the other infrastructure we take for granted each day. This basic infrastructure that allows normal life to occur each day will still be needed in the future. How will it be able to compete for funding against the more enticing futuristic projects?

Early in 2015, Sarah B. Hood's article "The Asset Gap" reviewed the Association of Municipalities of Ontario's (AMO)'Roads and Bridges Asset Management Study'. She notes an "encouraging finding" that "field inspections tend to show assets to be in better shape than the accounting projection would suggest."³ She also quotes Tom Dawe, President, Public Sector Digest Canada from his presentation on the report at the AMO conference in August 2014 as saying:

*"It's taken about 50 years to get to where we are and we're not going to correct this overnight."*⁴

These thoughts provided a guiding light for this report. It utilizes an Asset Management Plan currently reliant on accounting projections and is focused on a fifty-year time frame. This report also focuses on funding the replacement of the existing asset inventory rather than augmenting the inventory for future 'needs'.

¹ Fenn, Michael; 'The Future of Infrastructure in Ontario's Municipalities' The Municipal Monitor Q4 2015 pg. 14

² Drummond, Don; 2012 Commission on the Reform of Ontario's Public Services, 'Public Services for Ontarians: A Path to Sustainability and Excellence' Queen's Printer for Ontario, 2012 ISBN 978-1-4435-8898-0 pg. 491

³ Hood, Sarah B.; 'The Asset Gap, AMO study addresses funding needs for road, bridge and culvert maintenance' The Municipal Monitor Q1 2015 pg.8

⁴ Hood, Sarah B.; *ibid*

The Lambton Emergency Medical Services Story

About a decade and a half ago, the County of Lambton Emergency Medical Services (EMS) department extended 24/7-land ambulance service to all nine of its service bases. Naturally, there was an increase in their operating budget but there was also an impact on their asset replacement plan. Due to strict requirements regarding the life cycle of ambulances EMS needed to replace three ambulances rather than the expected two. Unfortunately, the budget request was not approved and the third ambulance was not purchased until the following year. EMS was forced to do a constant shuffle of vehicles to ensure that this specific vehicle would not go over the allowed limit. Management realized that with the increased coverage this would not be the last time that a third ambulance would need to be purchased in a single year. So a method of avoiding the denied purchase recurring was sought.

At this point, two fortunate occurrences combined to provide a solution. First, the Emergency Health Services Branch (EHSB), the branch of the Ministry of Health and Long-Term Care that oversees Land Ambulance Services, provided training for a new format for their annual financial reporting. At this training, staff learned that many land ambulance services are actually provided by a ‘Designated Delivery Agent’ or private contractor on behalf of the mandated municipality. Due to this situation, EHSB does not fund capital purchases; rather it supports that:

“Reasonable funds for Land Ambulance vehicle and equipment purchases should be set aside annually in the Vehicle and Equipment Reserve Fund. When a Land Ambulance vehicle is purchased in the future, amounts should be withdrawn from this reserve fund.”⁵

The second fortunate occurrence followed shortly after when the Ministry reconciled the outstanding annual settlements and flowed the funds required to fulfill their commitment to 50/50 funding. This prior year adjustment to revenues created a surplus that allowed management to create a ‘Vehicle and Equipment Reserve Fund’. A rudimentary asset management plan was established for EMS vehicles and equipment. Based on the programmed replacement of the assets, an average annual contribution to the reserve was established and all subsequent assets were purchased with funds from the reserve.

By 2010, the annual financial report began to recognize that the ‘reasonable’ amount being added to the reserve was actually the ‘Annual Amortization’. Currently, the land ambulance service provider must provide a ‘Ambulance Service Operations – Tangible Capital Assets’ report consistent with the Ministry of Municipal Affairs and Housing (MMAH) Financial Information Report reporting requirements.⁶ Any discrepancies between the EHSB FIR and MMAH FIR must be explained and reconciled. Furthermore, the eligible assets have been expanded to include all the EMS assets including the base stations.

Currently, the County of Lambton budgets an annual amount equal to the amortization shown on the Schedule of Tangible Capital Assets segmented by Service

⁵ Province of Ontario – Ministry of Health and Long-Term Care; Financial Information Report, Instructions 2008 – Form B, II Reserve Funds

⁶ Province of Ontario – Ministry of Health and Long-Term Care; Financial Information Report, Instructions 2010 – Form B, line 116

Area in the last available Audited Financial Statements. Usually there is a two-year lag; in other words, the 2015 amortization was added to the reserve in the 2017 budget. Purchases are budgeted as required and are funded entirely from the reserve if replacing an existing asset. In order to sustain the reserve; any purchase of an asset that is new to the inventory is submitted to the County's TCA budget request process. This results in the new asset being funded by tax levy or other funding but not from the amortization reserve.

Recently, EMS replaced their manual stretchers with power stretchers to reduce workplace injuries. The old stretchers had been purchased for \$6,000 each but the new stretchers cost \$18,000 apiece. So only \$6,000 was funded from the reserve and the balance for each was funded from tax levy. Once the new stretchers were purchased they were added to the inventory of assets and annual amortization began to be calculated and more importantly funded. In the future when these power stretchers require replacement; the funds will be available in the reserve to cover the purchase.

Other examples of this type of replacement funding can be found in the Ministry of Transportation and many municipal roads departments which utilize a classic charge-out process to accumulate replacement funds. Essentially, equipment and vehicles are charged (expensed) to the work/project based on hours, kilometers or some appropriate unit of measure. The rate is usually calculated by dividing the cost of the asset less any expected residual value by the total expected units of measure. The balancing side of the charge is usually an equipment reserve fund or liability account that provides the offset to the replacement costs when needed.

The Rules of Amortization

The Public Sector Accounting Board (PSAB) is the body which establishes and reviews the Public Sector Accounting Standards. These standards are the 'generally accepted accounting principles' that governments are expected to follow. PS 3150 is the well-known standard for Tangible Capital Assets (TCAs) which outlines how governments will record their TCAs as Non-Financial Assets on their financial statements. Included under the title Amortization are the following instructions:

.22 The cost, less any residual value, of a tangible capital asset with a limited life should be amortized over its useful life in a rational and systemic manner appropriate to its nature and use by government.

.23 The amortization of the costs of tangible capital assets should be accounted for as expenses in the statement of operations.⁷

Most municipalities have elected to deem amortization of their tangible capital assets as a non-cash expense and produce an annual report as allowed by the Province through O.Reg. 284/09. This regulation requires municipal treasurers to report to their councils on any non-cash items in their budgets and the extent that they are funded or not funded.

⁷ Public Sector Accounting Standards, Specific Items - Financial Statement Items [PS 3030 - PS 3510], PS 3150 Tangible capital assets; © 2001-2018, EYEP and/or E&Y LLP and/or CPA Canada

More telling, they are required to explain the impact of doing so on the fiscal health of the municipality.⁸ Of note is the fact that in this report, the Treasurer for the County of Lambton includes an annual update of the County's Asset Management Plan (CAMP) as the foundation for his explanation of the implications of not funding amortization. It is the CAMP update in the 2018 report that became the foundation of this report's data (see Appendix A).

A final point can be gleaned from PSAB 3150. Throughout this section on Tangible Capital Assets, a term keeps reappearing when discussing the valuation of the assets. The phrase "*the value of future economic benefits*"⁹ appears often and provides reinforcement of a concept underlying the requirement to capitalize assets rather than to expense them. In other words, an asset represents 'a future economic value' that is realized over the life of the asset rather than at the point of purchase. Pair this thought with the 'generally accepted accounting principle' of matching revenues and expenses. Suddenly it seems logical that amortization or depreciation, as it is often called in the private sector, should be an expense in the statement of operations. In the private sector, amortization often refers to the value accumulating on the Schedule of Tangible Capital Assets while depreciation is the value expensed in the Statement of Operations.

The salient points to be remembered are that assets represent 'future economic value' that are consumed over the life of the asset and there is precedent for the inclusion of annual amortization or depreciation in the annual statement of operations. The purpose of the annual budget of a municipality is to fairly reflect the expenses requiring funding from the property tax base. So the concept that annual depreciation should be a funded expense in the municipal budget is not so large a shift in philosophy. It may be a huge shift in terms of perceptions. What many advocates of cash-basis fund accounting have failed to recognize is that generations of property tax payers have gotten a free ride. Tax payers of the sixties paid for much of the infrastructure we continue to use today without paying a penny towards their purchase. Accrual accounting, as required by PSAB, seeks to match the timing of expensing the purchase cost to the timing of billing the tax revenues. In this way, those consuming the benefit of the asset pay for that portion of the asset's cost.

Many Council members have not made the transition from the cash basis concept of expenses to accrual accounting as required by PSAB. They feel that purchasing an asset then expensing the amortization of the same asset is double counting the expense. They have yet to come to grips with the concept that buying an asset does not constitute an expense on the Statement of Operations; it is an increase of Non-Financial Assets on the Statement of Financial Position. Hence one objective of fully funding annual depreciation is to create a reserve of funded amortization that will allow the municipality to replace all assets with funds from this reserve rather than from current period revenue.

Lambton EMS has succeeded on a small scale. Can it be done on a larger scale?

⁸ Innes, John R.; 'Treasurer's Statutory Report on Funding of Non-Cash Expenses Included in the 2018 Budget', Lambton County Council Meeting of March 7, 2018

⁹ Public Sector Accounting Standards, Specific Items - Financial Statement Items [PS 3030 - PS 3510], PS 3150 Tangible capital assets; © 2001-2018, EYEP and/or E&Y LLP and/or CPA Canada

The Case for Funded Amortization

Beginning with the County of Lambton Capital Needs Estimate as per the County of Lambton Asset Management Plan (CAMP) updated to March 2018 (see Appendix A); the challenge was how to fund \$1,029,015,505 in asset purchases over the next fifty years. The challenge became more daunting when a review of the Audited Financial Statements for 2011 to 2016 revealed that 'Acquisitions of Tangible Capital Assets' totaled \$98,448,913 while 'Amortization of Tangible Capital Assets' totaled \$87,757,408. Depression set in when it became apparent that; although the County of Lambton was indeed moving to funding amortization, it had only \$2,396,000 in reserves as of the end of 2016. That compared to Total Asset Cost of \$479,260,963 and Accumulated Amortization of \$235,250,596 for a Net Book Value of \$244,010,367. Approximately 1% of the Accumulated Amortization had been funded. The reserve was nowhere near the annual values for acquisitions (\$17,271,126) or that of amortization (\$13,534,978). Now Tom Dawe's quote about fifty years became extremely relevant. This was not going to be as easy as EMS getting seed money to ease the process. This would require some serious cash flow.

So focusing on the estimated TCA needs and their timing a simple schedule of spending was calculated and used to predict the Total Asset Cost for each year-end out to 2066. Next was the more complex calculation of annual amortization. First the Net Book Value as at December 31st, 2016 had to be amortized appropriately by asset class across their remaining lives. Next each year's acquisitions had to be amortized in a similar manner. This process was repeated each time a new assumption about timing or costs was added. The results were used to create a Schedule of Tangible Capital Assets for each year from 2017 to 2066. By adding the existing data for 2011 to 2016 from the Audited Financial Statements, fifty-six years of data for analysis and projections was available.

An algorithm was used that established the annual amount of funding required to purchase the estimated TCA need (less any funds available from the reserve) plus funding to fund the amortization expensed two years prior. (To avoid disputes over the appropriate value to fund, the value from the most recent Audited Financial Statements is used.) The initial results were unrealistic in that they attempted to clear the backlog of TCA needs and begin fully funding the amortization in 2019. That implied a threefold increase in spending that was unaffordable. A new algorithm introduced a stepped increase in funding amortization and flattened the TCA purchases to reflect a more acceptable (and gradual) increase in the annual funding need. The results echoed Tom Dawe's quote. They indicated that the reserve would be able in most years to cover the TCA needs but there would be a span in the late 2030's when extra funding would be needed. After that the reserve would be sufficient to 2066.

A quick acid test revealed one remaining roadblock - inflation. After settling on 1.5% as an estimated annual inflation rate for each of the next fifty years, the original TCA needs estimate was recalculated to the inflated cost for each year. Then the results were put through the same process described above to create fifty-six years of Schedules of Tangible Capital Assets. The algorithm was applied and reality set in. If inflation was not going to be allowed to turn the backlog of TCA needs into a crippling burden then the

County would have to prioritize TCA funding at a higher level than in recent budgets. The total estimated need for TCA spending had grown from the CAMP report's \$1,029,015,505 to \$1,574,367,248 for the fifty year time frame.

Again relying on the work already done, a base commitment of \$25,000,000 was set using the 10-year average from the CAMP March 2018 report. The final added twist was to assume an annual increase based on the 1.5% inflation factored into the costs. The results were conclusive. So much so that after 2034 the base commitment was reduced to ensure that over the fifty-six years the amount added to the funded amortization reserve equaled the total amortization charged to the Schedule of Tangible Capital Assets. The model indicates that between 2011 and 2066 there will be \$1,334,952,422 added to Accumulated Amortization while \$1,334,948,696 will be added to Funded Amortization. Of the funds added to the reserve, \$1,196,621,527 will be withdrawn to purchase TCAs leaving \$138,327,169 for future use.

In total over the fifty-six years \$1,574,367,248 will be spent on TCAs. The \$377,745,721 not provided by the reserve is other revenues spent between 2011 and 2031 before the reserve becomes self-sustaining. The model includes no calculation for possible interest earned on the reserve balance. The addition of new assets to the inventory have also been ignored, although in practice they would be added to the pool similar to what is done in EMS. They would then increase the annual depreciation, which increases the funds added to the reserve. The model would then perform even better than current projections. It was quite intentional to test the concept in a pessimistic setting.

Appendix B is a graph showing the four different spending projections. The original CAMP annual need estimates, those estimates inflated at an annual 1.5%, the 50 year average estimated inflated need and finally, the recommended spending level.

Appendix C is a graph showing how the annual funds have been utilized. Until 2031, the blue portion of the graph depicts revenue used to buy TCAs. Beginning in 2012, the red portion shows the revenues used to fund the reserve. Beginning in 2032, there is no blue because all TCAs are being purchased with funds from the reserves.

Appendix D is a graph showing the total cost of TCAs as would be reported in the Schedule of Tangible Capital Assets. The cost is depicted showing what portions are funded amortization, unfunded amortization, new amortization, unamortized TCA costs and new TCA costs.

Observations & Reflections

As much as the numbers indicate that given enough time and committed support funded amortization can be a sustainable source of funding for an existing inventory of TCAs, the question remains. Is it viable? In both scenarios, with inflation and without, the funded amortization reserve only became sustainable when a set funding level was imposed for at least the first decade or longer. And that funding level is well in excess of the recent spending levels approved. So where is the seed money that made the EMS example viable going to come from for the County as a whole?

At this point, municipalities look to the province and the province looks to the federal government. In as much as there are promises of support from senior governments they are not at the levels required to kick-start the funded amortization concept across the

province. This is only going to happen if there is an incentive to do so but that incentive will not be funding because there is not enough. That leaves legislation similar to the kind that has made Asset Management Plans suddenly popular.

Prior to August 2012 and the Province of Ontario's Municipal Infrastructure Strategy few people knew about Asset Management Plans. Some engineers and facilities managers had a sense of preventive maintenance and asset life cycles. If you happened to be a cost accountant in a particular manufacturing industry, you knew it was much more than that. But no one expected what Dan Wilson described in his article 'Municipal Asset Management Plans'.¹⁰ The brief guideline of how the six components of the plan should be structured and what each should include was simplicity itself until how they needed to be integrated into a 'living document' was laid out. From Wilson's description of the Municipal Asset Management Plan it was the municipality's operating budget, capital budget, vision statement, strategic plan, service plans and asset inventory all rolled into one integrated grand master plan.

And yet, according to a recent webinar 'almost all municipalities have an asset management plan'.¹¹ The Province of Ontario and the Municipal Finance Officers' Association of Ontario co-sponsored the webinar to explain the new O.Reg.588/17. In short the new regulation is intended to ensure that all municipalities have a 'robust' plan. The aim is to tighten up the 'completeness, detail, methodology and assumptions used to develop current plans.' One senses a familiar pattern.

- Here is a new initiative.
- Go out and develop it to suit your municipality.
- Now that we have a few years of data, how about we set some best practices.
- Okay, everyone will now do it this way.

This pattern does work especially if a municipality recognizes it and gets on board early.

Can it be applied to funded amortization? Dare it be suggested that if the province were to promote the idea that amortization should not be a non-cash item that municipalities would begin to fund amortization. Or similar to the example above, if funding amortization became a prerequisite to eligibility for upper level funding; municipalities would at least perform lip service to qualify. Maybe it could be phased in over a number of years, like ten percent a year. Essentially, could an incentive be found that would nudge municipalities in a direction that would provide a long-term benefit?

Unlikely as the true underlying issue relates to perceptions about sound fiscal policy. As mentioned previously many Council members, and even some Treasurers, believe that cash basis fund accounting is a better system. Michael Fenn in 'Recycling Ontario's assets: a new framework for managing public finances' inserted a sidebar to extoll the virtues of municipal fund accounting and the culture of 'Capital is capital, and

¹⁰ Wilson, Dan; 'Municipal Asset Management Plans' Municipal Monitor Fall 2013 pg.18

¹¹ Municipal Finance Officers' Association of Ontario; 'O.Reg.588/17: AMP in Municipal Infrastructure' Webinar attended online on January 17, 2018

operating is operating'.¹² This clinging to an abolished system is counter-productive; regardless of whether they are right or not. Unfortunately, motivational speaker Les Brown (who served three terms in the Ohio State Legislature) is quite right when he says, "A man convinced against his will is of the same opinion still." Council members are nothing if not strong willed. So the wisdom of the County of Lambton's Treasurer becomes evident.

In 2011, he presented a plan to fund amortization a humble \$431,000 in the 2012 budget. Those funds would be used in 2013 but that year \$885,000 would be added to the funded amortization. Each year, the fund is depleted and then a slightly larger amount added. In the 2018 budget the amount to be added is \$3,543,000. During the analysis of fully funded amortization described above, a scenario running out the current strategy showed that it would grow to the level of annual amortization around 2028. It will not be until 2040 that this strategy will reach self-sustaining levels.

If all municipalities followed similar strategies, they could prove Tom Dawe correct in about fifty years.

Conclusion

The report intended to establish the viability of funding annual depreciation as an expense within the operating budget of a municipality to provide sustainable means of funding infrastructure replacement/betterment. It provided a brief review of the current environment of fiscal constraints and the prevailing interest in finding new revenues for new infrastructure. The successful implementation of funded depreciation to sustain a reserve for asset replacement in the County of Lambton's Emergency Medical Services department was presented as an example of how it can be accomplished.

Current accounting rules, especially PSAB 3150 are shown to support the concept of 'future economic value' and the appropriate timing of it being expensed. It was also noted that not everyone agrees with the accrual accounting model.

The report has demonstrated that the funding of amortization expense can be a sustainable method of funding infrastructure spending. It has not demonstrated that it is a viable option in the current environment of fiscal constraints. Between the backlog of infrastructure spending and scarce funding options, it is unlikely that Council members will be interested in a strategy that has a multiple decade timeline for success.

Unfortunately, this attitude is reinforced by the focus on new assets rather than the replacement/betterment of the existing inventory. Attention is on the future and new sources of revenues and the assets required to access them. Sewers and culverts cannot compete with the glitzy light rail transit and cutting edge technology based assets.

Fundamental shifts in attitude towards accrual accounting will come in time. Until that time governments will struggle to act like private business. Their perception of the

¹² Fenn, Michael; Canadian Electronic Library (Firm); Mowat Centre for Policy Innovation; 'Recycling Ontario's assets: a new framework for managing public finances' Beaconsfield, Quebec; Canadian Electronic Library, 2014 pg. 30

value for money is still a segmented one of operating is operating and capital is capital. Recognizing that the municipality is a single entity is crucial to its financial health.

While a regulated solution could be orchestrated, it is unlikely that the province will be interested in that option. Therefore, the most viable option is the one the County of Lambton is already doing. A gradual low-key process of funding amortization a little more each year while using the prior year's funds. This reduces the incremental impact on each annual budget. It is a long process but 'slow and sure wins the race'.

Therefore, the report recommends that funding depreciation as an expense within the operating budget of a municipality should be implemented on a gradual basis over the next two decades. The funds raised from this expense should be placed in a Funded Amortization reserve and they should be made available for the purchase of Tangible Capital Assets as needed in subsequent years.

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Province of Ontario – Ministry of Health and Long-Term Care; Financial Information Report, Instructions 2010 – Form B, line 116

Public Sector Accounting Standards, Specific Items - Financial Statement Items [PS 3030 - PS 3510], PS 3150 Tangible capital assets; © 2001-2018, EYEP and/or E&Y LLP and/or CPA Canada

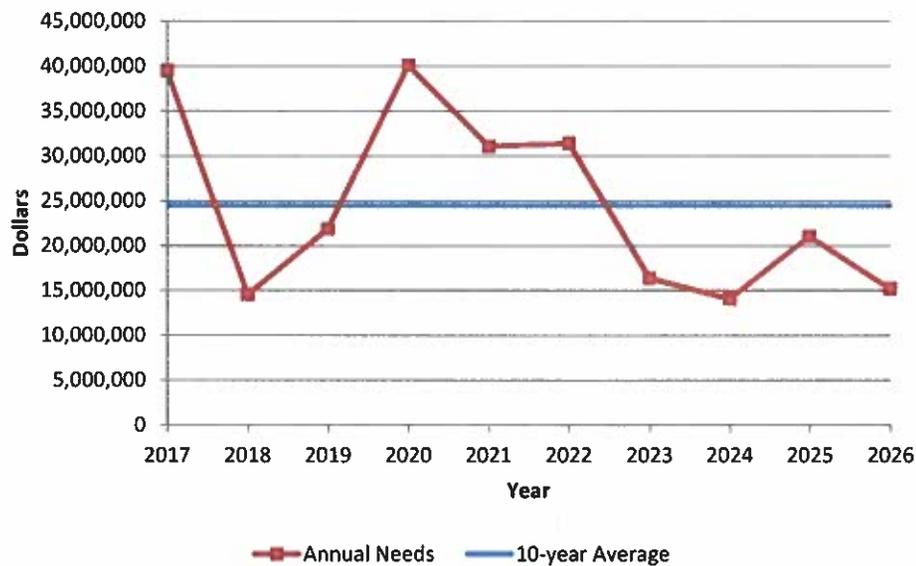
Wilson, Dan; 'Municipal Asset Management Plans' Municipal Monitor Fall 2013 pg.18

County of Lambton Capital Needs estimate

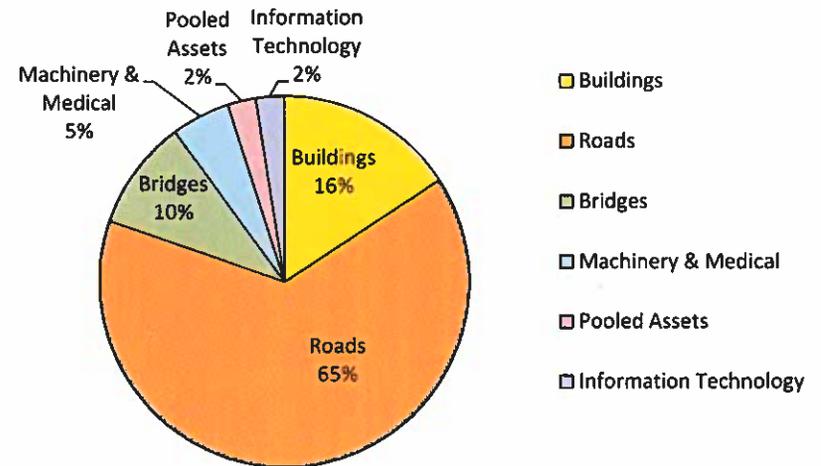
Asset Type	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027-2066	Total
Buildings	0	2,714,672	6,341,524	3,447,177	4,307,145	2,851,272	2,932,767	6,744,928	3,499,573	5,688,281	180,591,596	219,118,936
Roads	24,883,962	9,485,486	12,681,984	32,537,816	23,054,998	25,416,128	8,741,703	2,349,492	13,254,795	5,766,159	397,845,239	556,017,762
Bridges	14,223,575	801,592	334,044	1,063,918	175,987	293,224	2,268,620	2,082,269	2,024,724	183,106	84,678,511	108,129,569
Machinery & Medical	0	253,515	1,182,792	1,664,357	2,206,420	1,531,475	1,112,235	1,546,193	944,900	2,207,236	68,881,269	81,530,392
Pooled Assets	32,010	667,964	667,964	667,964	667,964	667,964	667,964	667,964	667,964	667,964	26,718,560	32,762,246
Information Technology	319,697	635,447	635,447	635,447	635,447	635,447	635,447	635,447	635,447	635,447	25,417,880	31,456,600
Grand Total	39,459,244	14,558,676	21,843,755	40,016,679	31,047,961	31,395,510	16,358,736	14,026,294	21,027,403	15,148,193	784,133,055	1,029,015,505

10-year total: 244,882,450 (approx. \$24,488,000 per year)

10-year Capital needs by year



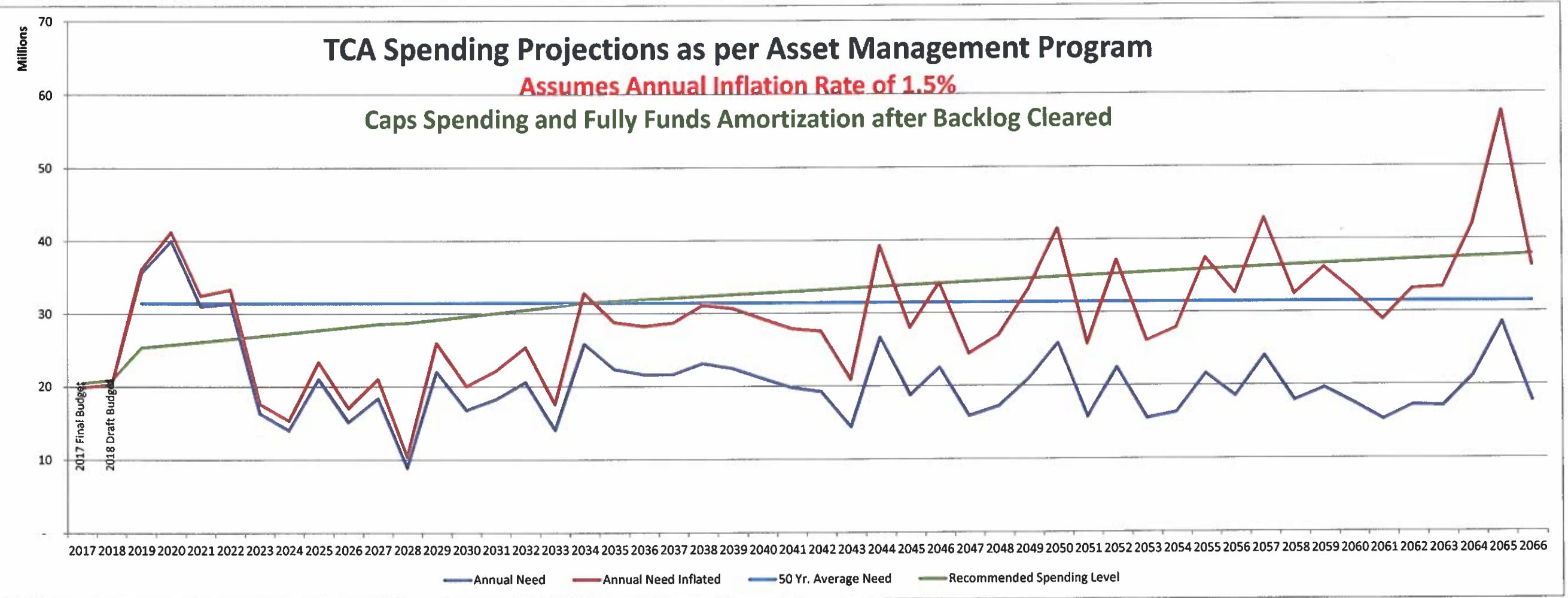
10-year Capital needs by Asset Type



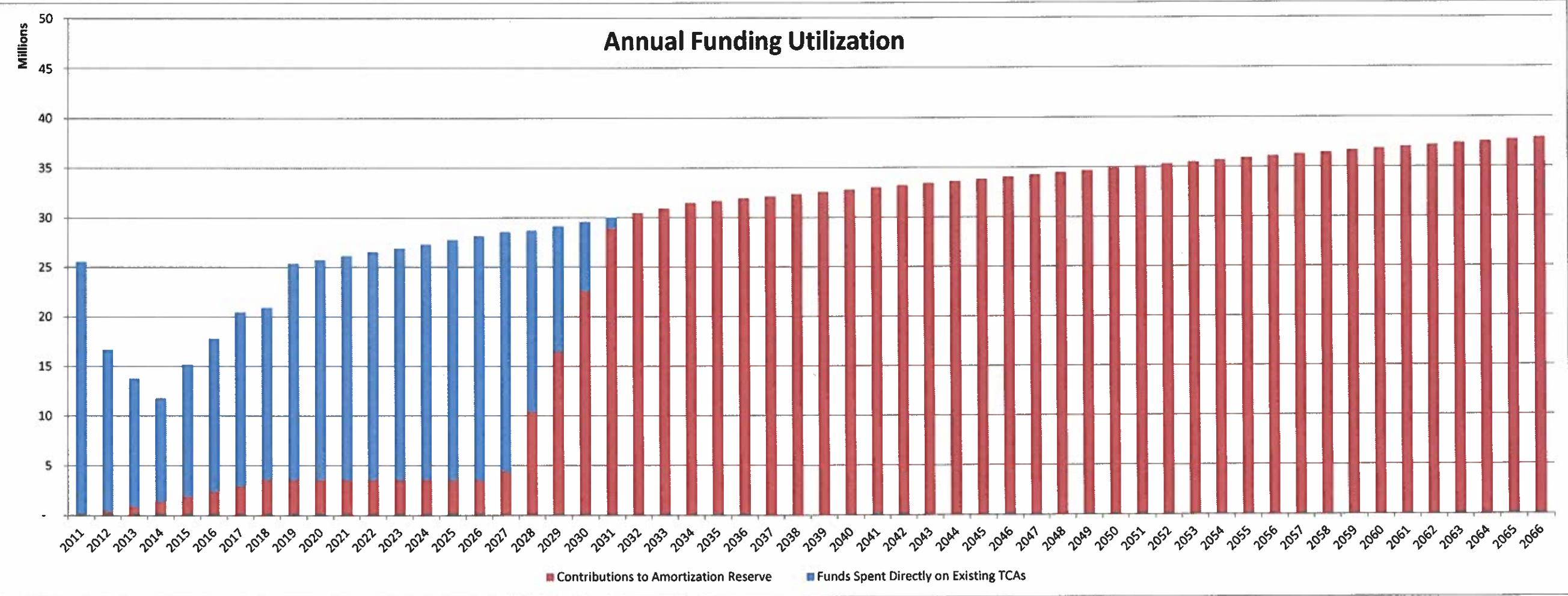
*Pooled Assets: Building Contents (Furnishings, Appliances, Shelving); Roads Signs & Illuminations - estimate based on replacing current assets (at historical cost) over the accounting useful life
 Information Technology: estimate based on replacing current assets (at historical cost) over the accounting useful life*

Note - does not yet include LSSC leasehold improvements

Appendix B: TCA Spending Projections



Appendix C: Annual Funding Utilization



Appendix D: Total TCA Cost Allocated by Amortization Disposition

