2022 AWARDS FOR EXCELLENCE

IN GOVERNMENT FINANCE

2022 AWARDS FOR EXCELLENCE WINNERS:

- ★ **Greater Cleveland Regional Transit Authority, Ohio**
- ★ **Town of Bluffton, South Carolina**
- ★ **Maricopa County, Arizona**
- ★ **District of Oak Bay, British Columbia**
- ★ **The Corporation of the County of Prince Edward, Ontario**
- ★ **Washtenaw County Treasurer's Office, Michigan**
- ★ **Northshore School District, Washington**

BY JARA KERN

When confronted with challenges, some people see only problems. Others see possibilities—and they find ways to turn them into opportunities. This can-do spirit is strong in the seven winners of the 2022 GFOA Awards for Excellence in Government Finance. Theirs are stories of serious adversity and unprecedented demands that open up to a silver lining of innovation and forward progress. You'll find tales of tackling crumbling infrastructure and adjusting to pandemic-induced surging population growth, transforming onboarding and collaboration in remote work, and bringing equity into discussions from transit to student outcomes, among others.

These seven winners were selected from entries across a diverse set of governments and agencies in the United States and Canada. They are shining examples of innovation and outstanding financial management—and their work offers lessons for others who want to implement GFOA best practices or solve common challenges in new and creative ways. Ready for a dose of inspiration? Here are their stories.

Greater Cleveland Regional Transit Authority, Ohio

Planning for Future Stability and Greater Accessibility

About the Greater Cleveland Regional Transport Authority

The Greater Cleveland Regional Transport Authority was formed in 1975 to provide public transit services to the 59 communities and 1.2 million residents in Cuyahoga County. As the largest public transit agency in the State of Ohio, and the only one with rail service, RTA's service options include bus, bus rapid transit, trolley, paratransit, and three rail lines.

After decades of steady increases, public transit agencies across the country saw ridership come to a screeching halt in the early months of the COVID-19 pandemic. Even before the pandemic hit northeast Ohio, though, the Greater Cleveland Regional Transit Authority faced revenue constraints, increased expenses, and decreasing population and ridership. But RTA staff understood how critical public transit is for equity and community vitality. In addition, stimulus funds offered unexpected opportunities to change direction. Here is how the RTA was able to create a path to a more stable, accessible future for Greater Cleveland through strategic planning and public-private partnerships.

FACING EVOLVING CHALLENGES

Before the pandemic, the RTA provided public transportation services for as many as 115,000 customers on a typical weekday, for about 32 million total annual rides in the metropolitan area. The RTA's largest source of revenue is Cuyahoga County's 1 percent sales and use tax, but this hasn't increased as quickly as general operating expenses. And ridership has been decreasing steadily over the last decade, tracking with population declines in Cleveland and Cuyahoga County. Despite declines and revenue challenges, raising the cash base fare was not an option—and hasn't been since 2018, when the Board of Trustees permanently deferred a 25-cent rate increase.

CONFRONTING THE FUTURE

It's one thing to realize the role an essential service plays—and another entirely to ensure it is funded and operational for both present and future. As the shutdowns unfolded in March 2020, the executive leadership team turned to Gautam to determine how long current operating reserves could keep transit lines running without disruptions. His answer? "One to two months; and then the 1% revenues would keep us going longer."

Soon, news came of federal stimulus funding to come, and RTA leadership took a long-term perspective as they considered the potential. "We really focused on how we could make this count," Gautam said. "Years from now, we wanted to be able to say, 'Look what we were able to accomplish and achieve with this funding.'" The prospect of using the stimulus funding to make the greatest difference for the RTA's employees, the organization, and the community shaped the initial approach to and discussions about a strategic plan.

BUILDING A 10-YEAR PLANNING TOOL

Strategic planning in partnership with the community was already underway by late 2019. The planning team incorporated the 2020 pandemic disruption, shifting perspective to bring customers, stakeholders, and the broader community more fully into the process.

Five key pillars were incorporated into the strategic plan:

- **Economic impact study.** Completed by Cleveland State University's Center for Economic Development, the study quantified the annual economic benefit the RTA generated for Cuyahoga County, highlighting the importance of its services to the region's residents and employers.

- **Fare equity study.** This study helped leadership better understand ridership and the relationships among changes in fares, fare structure, fare collection, ridership, and revenue. It included fare equity analysis, among evaluations.

Infrastructure posed another challenge. The RTA operates the only rail system in Ohio, and the legacy system requires ongoing infrastructure maintenance and updates. Such investments have created a strain in other capital projects, delaying them for years and increasing the size of the unfunded capital project list to a total of nearly $550 million in the 2019 to 2023 Capital Improvement Plan (CIP). The cost for new rail cars alone was estimated at $300 million.

The final and perhaps most daunting challenge is tied in with the RTA's mission of "Connecting the Community." In 2020, the Center for Community Solutions identified Cleveland as the poorest big city in the nation, ranking it No. 1 in child poverty, No. 2 in working adult poverty, and No. 3 in senior adult poverty.

The challenges were enormous, so RTA staff and leadership embarked on developing a new strategic plan to create a "framework for the future" to fiscal year 2030. The strategic planning process would embrace both capital planning and operational planning. Then the pandemic hit during the early planning stages. As Kay Sutula, director of the Office of Management and Budgeting, put it, "Public transit provides a critical mobility lifeline. Our residents rely on public transit to connect them to jobs, medical appointments, pharmacies, grocery stores, and more." Transit's role as an essential service became even more starkly apparent as COVID-19 created disproportionate effects on low-income and minority communities across the country.

Rajan Gautam, deputy general manager of Finance and Administration, said: "When the pandemic hit, we had these pressures, but we also knew we had a responsibility to uphold. We made a commitment to Cleveland and to the county that we would not cut service, have furloughs, or lay off staff. We knew our ridership, our employees, and our community needed us."

- **Rail car study.** This comprehensive evaluation of heavy and light rail fleets reviewed vehicles and their condition, necessary infrastructure and maintenance facility improvements, and estimated costs.

- **Efficiency study and operational review.** The Greater Cleveland Partnership completed a financial analysis and economic forecast for the RTA that included peer benchmarking, market risk, financial issues, cost efficiencies, revenue enhancements, key performance indicators, and bridging funding gaps.

- **System redesign study.** This study analyzed bus routes and sought public input on potential system-wide redesign alternatives. The outcome included two conceptual networks focused on generating high ridership and levels of funding—and resulted in the June 2021 implementation of NextGen RTA.

Each pillar helped guide strategic planning of services, customer experience, operational performance, funding, infrastructure, and more.

> The RTA's Strategic Plan includes analyses of existing conditions, priority corridors, capital projects, infrastructure repair, transit technology, and new mobility.

GFOA BEST PRACTICES

In addition, Gautam, Sutula, and other team members followed GFOA best practices to guide public engagement, financial forecasting, and budget preparation.

"We've built ties across our community," Sutula noted, "including with local legislators and higher education institutions like TriC and Cleveland State University. We are also working closely with specific communities or on specific partnerships that serve community needs." Sutula pointed to one such example, the RTA Community Immunity Bus, which provides a mobile clinic on wheels to deliver vaccinations via public transit.

Customers and the community were engaged for input, including for the System Redesign Study, through public meetings, Facebook Live events, and online and print surveys. As Gautam and Sutula explained, insights and analysis staff's understanding. "We learned that people in more developed areas had the resources to buy monthly fare passes and were able to get the most significant discounts," Gautam said. "It helped us see the unintended inequity—and guide ways we could address it from both an equity lens and a technology perspective." Gautam pointed to the 2021 rollout of mobile ticketing, which includes fare capping to provide greater equity. Another component is the new Community Connection Line, which riders can use to provide feedback—another example of technology transforming customer experience and connecting the RTA to the community.

Strategic planning has also guided capital planning and the drawdown of $315 million in stimulus funds. "The stimulus funds are equal to one year's annual operating budget," Gautam explained, "so our planning has been about stretching what we're able to do for today and tomorrow."

As the RTA moves toward 2030, continued planning considerations will focus on how roles will change, how quickly new technologies will reach maturity sufficient for widespread adoption, and how to future-proof the transit network against a range of possibilities. The RTA looks to balance customer input, new technologies, and business partnerships to guide wise investment planning for services and infrastructure.

Like many metro areas, the greater Cleveland area is facing some tough realities. The Greater Cleveland RTA, though, is committed to being part of the change it wants to see—and it has guided planning and decision making with an eye to securing the future. "The decisions we implemented from 2019 through 2022 are helping create a sustainable transit system," Sutula said. "It's about providing the best service not only our customers but also for the entire region—today and tomorrow."

Town of Bluffton, South Carolina
Establishing a New Fund Balance and Capital Asset Reserve Policy

GFOA Best Practices

- Fund Balance Guidelines for General Fund
- Strategies for Establishing Capital Asset Renewal and Replacement Reserve Policies

About Bluffton, South Carolina

Established in 1825 as a popular summer location for wealthy Savannah merchants and plantation owners, the Town of Bluffton is the heart of South Carolina's Lowcountry, located just 12 miles from Hilton Head Island. In 2021, Bluffton had a population of 27,716 people.

Located in the heart of South Carolina's Lowcountry, the Town of Bluffton has experienced significant population growth, up from 1,000 to nearly 28,000 people in just 25 years—making Bluffton the fastest-growing municipality in the state. The rapid population increase not only resulted in growth to the Town's resources, but also the many demands for it. As a result, officials conducted financial risk assessment and long-term planning studies to create new fund balance and capital asset reserve policies—which needed to account for unique risks and needs. Here is how officials assessed risk and built policies to help the Town of Bluffton navigate continued growth and a more secure future.

BUILDING A POLICY ON STRONG FOUNDATIONS

Bluffton's population has increased by more than 1,000 percent since 2000, and the growth trend is far from over: Driven by planned development and an influx of out-of-state retirees, population growth is anticipated to reach 65,000 in the next 10 to 15 years. So far, the upsurge has resulted in a significant accumulation of cash, a trend that is also expected to continue.

A new policy would need to account for continued growth while also factoring in the town's unique risk profile. Its coastal location means that Bluffton is at higher risk for experiencing a hurricane, with damage and rebuilding costs that can reach $50 million and more.

Despite these realities, the town was able to be proactive. "We could assess our situation and develop a policy while cash positions were healthy," said Chris Forster, assistant town manager. "Not all government entities have that luxury. Often, they must implement a fund balance policy from a tough financial position."

Until late 2021, Forster was director of finance, and he led the financial assessment and fund balance policy initiative. The Town of Bluffton operates under a council-manager form of government, with a mayor and four council members. The administrative staff, including Forster's team, works with this leadership. Forster explained: "Council began to question whether we were accumulating too much in reserves, and what we should do with existing reserves—reduce taxes or invest in capital projects. Without taking a comprehensive look, we couldn't answer one way or another with confidence."

The Town of Bluffton's strategic plan includes financial resilience as a strategic focus area. As Forster noted, the first guiding principle is "to demonstrate fiscal responsibility through established financial policies, budgeting, and financial standards that meet the excellence requirements and financial reporting established by GFOA." As this area had not been thoroughly evaluated in several years—during which the population continued to grow, and hurricanes continued to affect coastal communities—the mayor and council tasked Forster and his team with researching best practices, assessing risk and fund balance priorities, and conducting a peer review before providing recommendations.

ASSESSING UNIQUE NEEDS

To better understand risk and to estimate the cost consequences, Forster embarked on a peer review of comparable coastal towns, including communities like the cities of Charleston, Myrtle Beach, Savannah, and Hilton Head. One aim of the review was to understand the approaches these cities took to fund balance policy. Hilton Head was the closest comparable community, so Forster consulted with its finance director and learned that Hilton Head had taken a hard hit from Hurricane Matthew in 2016, which had resulted in $54 million in damage and rebuilding costs.

GFOA guidance on risk assessment stipulates that each community should assess its unique needs. An optimal fund balance for a community in a hurricane-prone area like Bluffton would be larger than that of a community that didn't face this risk. "When we did the risk assessment profile," Forster explained, "we determined that the unassigned fund balance portion should really be between 26 and 35 percent. We looked at the higher end of that range given our location."

Forster sought a basis for quantifying costs and determining a designated portion of the reserves to set aside for emergency recovery. He turned to a study on the financial impacts of hurricane damage produced by University of Florida researchers, the "Quantitative Method for Estimating Probable Public Costs of Hurricanes." The study identified the per-capita costs of recovering from hurricanes, with scenarios for Category 1 to 5 storms based on historical data. Because the study dated from 1999, Forster incorporated inflation adjustment to bring the financial costs in line with the present day, arriving at an estimate of $1,400 per capita in recovery costs for a Category 4 hurricane. Forster then combined the research and inflation-adjusted projections with actuals from Hilton Head's recovery from Hurricane Matthew, which ultimately cost $1,450 per capita.

CREATING THE POLICIES

Ultimately, Forster and the finance department combined this research, the peer review, and GFOA's risk assessment tool as a foundation for performing a long-term financial projection, projecting growth, analyzing the capital improvement plan and future assets, and assessing current depreciable assets.

The optimal fund balance for coastal towns like Bluffton is larger due to a higher risk of damage caused by hurricanes. In 2016, Hurricane Matthew caused tens of thousands of dollars of damage to the South Carolina coast, including the City of Charleston (pictured below).

Built in 1857, The Church of the Cross is one of Bluffton's most notable landmarks.

and the public better understand reserve levels and policies, as changes were communicated through channels including budget briefs, workshops, presentations, and the regular community newsletter.

Forster noted that fund balances will be assessed as part of the annual audit, with a more comprehensive analysis to be conducted every three years.

GFOA BEST PRACTICES

The Town of Bluffton followed GFOA's best practice, *Fund Balance Guidelines for General Fund*, which recommends that governments establish a formal policy on the level of unrestricted fund balance that should be maintained in the general fund, based on generally accepted accounting principles and the budgetary purpose of maintaining adequate levels of fund balance to mitigate current and future risks and to ensure stable tax rates. The municipality also followed GFOA's best practice, *Strategies for Establishing Capital Asset Renewal and Replacement Reserve Policies*, which guides governments in establishing a capital asset reserve that provides additional flexibility in a strong capital asset management program.

The combination of best practice guidance, risk assessment, and scholarly research gave Bluffton a comprehensive basis for examining fund reserves and creating a strong policy. In reflecting on what made the policy process unique, Forster said, "I'm not aware of any community that has used a disaster cost study like this one, to drive their fund balance policy." He emphasized how important it was for Bluffton to heed the recommendation that each community needs to factor in its own particular needs and risks—advice that other communities can benefit from, as well.

This information was presented to the council at a workshop session early on in the budget process. Feedback was collected and incorporated into recommendations on new fund balance and capital asset reserve policies presented as part of the council's budget sessions.

The recommendations were to:

- Increase the emergency reserve fund to 15 percent of all budgeted funds expenditures.
- Revise the equipment reserve fund into a capital asset reserve fund that sets aside the equivalent of 50 percent of depreciation expense from the most recently audited financial statements, up to a cap of the most recent five years of depreciation expense.
- Increase the undesignated reserve to 35 percent of general fund expenditures.

The emergency reserve fund is for scenarios including natural disasters, economic disasters, or acts of war. The unassigned fund balance acts as backup to the emergency reserve fund and can only be used for one-time or non-recurring costs. The capital asset reserve is intended for major renewals or replacements of capital assets. Forster explains: "As our community grows, so does our capital asset portfolio. Looking at the significance of the assets that will be coming online, we saw a need to set aside more reserves to maintain those assets into the future."

The reserve policy was adopted as part of the 2021 budget. The outcome has been a better understanding of reserve funds, their purpose, and their importance, as well as improved financial resiliency and resources to address future capital maintenance and renewal needs. Council members

Maricopa County, Arizona
Ensuring Continuity with the Budget Analyst Essentials Suite

GFOA Best Practice

- Business Preparedness and Continuity Guidelines

About Maricopa County

The fourth-largest county in the United States, Maricopa County was home to 4.5 million people as of 2021. It is home to the Phoenix metropolitan area, Sky Harbor International Airport, and a large swath of land to the west and southwest with a total size of 9,224 square miles—making it larger in area than seven U.S. states. Established in 1871, Maricopa County was named in honor of the Xalychidom Piipaash people, who inhabited the area as early as 1775.

Maricopa County was in the middle of its busy budget season when the COVID-19 pandemic hit, plunging employees into a virtual environment. Employees from Maricopa County's Office of Budget and Finance met the challenge head-on, creating and implementing the Budget Analyst Essentials Suite to transform onboarding, training, and engagement materials for a new way of working. Not only did the team deliver the budget on time, but its members also captured valuable institutional knowledge and forever changed the way they work together. Here is what happened—and what lessons other governments can learn from Maricopa's experience.

A STORY OF SURVIVAL

January through June is budget season, commonly referred to as the busiest season of the year. To keep budget preparations on track, the department's analysts, supervisors, and senior staff quickly pivoted to a remote work environment and started developing the Budget Analysis Essentials Suite as a new model. Their vision was a continuously updated continuity of business operations plan that could replace some of the traditional training processes that had been conducted in-person. The Office of Budget and Finance was bringing new staff on and had additional roles to fill in early and mid-2020, so a radically changed work landscape demanded new tools and processes.

The Budget Analyst Essentials Suite's was built from a foundation of Microsoft products for county communications. Staff collaborated to create a master OneNote file to organize departmental training materials into sections that new analysts would be able to tackle in manageable chunks. The OneNote file opens with a "Welcome to the Office" section that includes a note from the chief financial officer, orientation
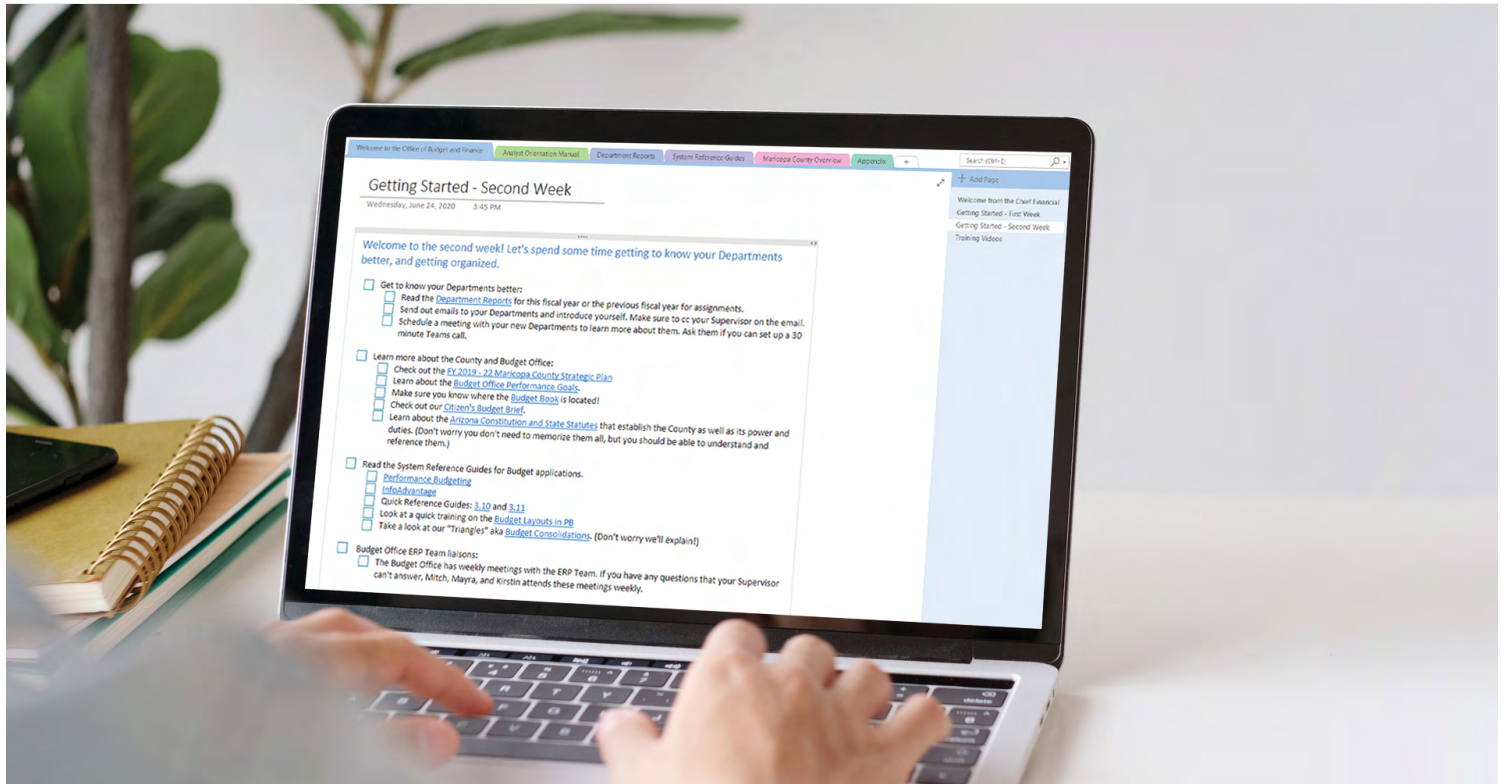
manuals, departmental reports, system reference guides, and a county overview. Also included is a detailed list of tasks that new analysts need to complete during the first two weeks of their employment. All the sections are interlinked through the checklist, tabs, and pages, providing an easily accessible suite of training materials.

Analysts are directed to explore the orientation and procedure manuals and are given links to important folders in the shared drive or to essential external resources. The file also includes a detailed system reference guide and a thorough overview of Maricopa County, including the current strategic plan, most recent budget book, and a list of relevant statutes and laws from the Arizona State Constitution. An appendix includes important links for users to bookmark, a list of guidelines and policies, fund descriptions, and a list of specific acronyms used by the Office of Budget and Finance.

The OneNote file is exported and copied to a project folder for the new employee and then personalized for that person's particular role. The file is additionally customized with a section of relevant department reports related to the new employee's assignments and responsibilities. This tailored approach makes it possible for new employees to complete specific onboarding tasks and add additional notes while learning the materials.

In addition, as county staff transitioned into a virtual office environment, they turned to Microsoft Teams, along with millions of other workers around the world. Office of Budget and Finance team members developed a list of training videos to supplement the OneNote file. Staff developed PowerPoint presentations and corresponding scripts to record training videos, which were then posted them to a Teams training channel for staff to access, view, and add questions and comments. A schedule contained in the OneNote file recommends specific times during the orientation window for watching these videos.

A STORY OF TRANSFORMATION

Three members of the Office of Budget and Finance shared their experience with *GFR*: Deputy Budget Director Kristin Chernin, Budget Manager Mitch Kolf, and Budget Analyst Tristan Wulffson. "First, because of the limitations on in-person work, we as a county had to move on from an older approach to onboarding, in which the supervisor sits behind you and tells you what to do," Wulffson said. "Now, we're able to onboard and train faster, more effectively, and more efficiently through the suite and tools."

"We found that these materials made training more consistent for every budget analyst, because everyone was following the same process," Kolf added.

Chernin pointed to a challenge under the prior system: "Before the suite, we didn't hire from January to June because training took up so much of supervisors' time. But this meant that supervisors had to take on the work of vacant positions during budget season,

too." Wulffson concurred, adding, "One of the great successes of the suite is the ability to cross-train analysts as well. Because training is consistent and analysts have a consolidated base of information to reference, they can bounce ideas off each other, even when supervisors are busy. It helps us all be more effective and efficient."

Chernin noted the difficulty of adapting culture to an all-virtual work environment. Adopting Teams gave county staff the ability to see each other during meetings, which helped boost connection among colleagues. "We'd had staff say, 'I haven't seen so-and-so in a month, and I miss them,' so we put meetings in place to engage staff and to make new employees feel

Below, thanks to the Budget Analyst Essentials Suite's training capabilities, Maricopa County was able to get four new budget analysts up to speed and deliver their FY22 budget book on time.

part of the team." She described weekly check-ins for updates from senior staff, and a Bring Your Own Meeting concept in which budget analysts would make a presentation about a departmental topic of interest. These meetings began with icebreaker activities like Jeopardy.

A STORY OF WORKING SMARTER

Ultimately, developing the Budget Analyst Essentials Suite has enabled anytime, anywhere training that has been successful on several fronts, even as the county has shifted into a hybrid work environment. These include ensuring on-time delivery of budget recommendations; providing a positive and effective onboarding process, even in a remote environment; and capturing valuable institutional knowledge. This last point took on urgency when some key analysts moved to new roles in other county departments. The staff members who were leaving were able to record their knowledge in training videos.

The office filled these open positions, and the team headed into the FY22 budget season with four new budget analysts. In a first for the county, team members were able to use the Budget Analyst Essentials Suite to train finance-only analysts to help create the budget book. The FY22 budget book and recommendations were delivered on time. "This represented a monumental leap in our abilities, as we were able to pull in 'inside-outside' help and get them up to speed to produce an entire budget book," Wulffson said. "The FY22 budget was a proving ground for the suite because we were able to successfully complete it with eight budget analysts, all of whom had been with us less than a year," Chernin added.

The suite has been a shining example for other county offices. Executive staff have recorded training videos, and a Legislative Analyst Essentials Suite is being developed. The Budget Analyst Essentials Suite is also regularly revamped with new and improved training videos and updated materials. "It's a fluid document, and we update it in real time, as the need arises," Kolf said.

GFOA BEST PRACTICE

The Maricopa County Office of Budget and Finance followed GFOA's best practice, *Business Preparedness and Continuity Guidelines*, which recommends that governments should develop, test, and maintain a plan to continue their basic business operations during and immediately after disruptive events. With the suite it has developed, the Office of Budget and Finance has elevated its organizational preparedness and navigated the challenges of a new work environment while ensuring zero service disruption. "We've used the idea of anytime, anywhere training to advance Maricopa County," Wulffson said. Looking forward, Chernin added, "The suite is something we can continue to build on for years to come for consistency of training and continuity of operations."

"The FY22 budget was a proving ground for the suite because we were able to successfully complete it with eight budget analysts, all of whom had been with us less than a year." –DEPUTY BUDGET DIRECTOR KRISTIN CHERNIN

District of Oak Bay, British Columbia
Building for the Future with a Sustainable Infrastructure Replacement Plan

GFOA Best Practice

- Business Preparedness and Continuity Guidelines

About the District of Oak Bay

Oak Bay is located on the southern tip of Vancouver Island in British Columbia. Incorporated in 1906, it forms part of the Greater Victoria urban area and is home to a population of nearly 18,000 people as of 2021. Oak Bay acknowledges that the land where its population lives is the traditional territory of the Coast and Straits Salish Peoples.

When the District of Oak Bay, British Columbia, faced the realities of its aging infrastructure, it also confronted difficult choices related to both budget decisions and tax increases. Working together, the district's leaders in finance and engineering tackled the daunting challenge of building a sustainable infrastructure replacement plan and transforming the way the community was planning for future needs. Here is how they did it, what they learned, and what other communities can apply to their own long-term financial planning.

A SOBERING REALITY

In 2015, the District of Oak Bay's Council adopted a strategic plan that included an initiative to implement a formal asset management plan to help develop, maintain, and protect Oak Bay's infrastructure. As a first step, infrastructure condition assessments were conducted on assets across the community, including sewer infrastructure, water infrastructure, storm utility, roads, buildings, parks, and recreational facilities. These assessments revealed that the majority of Oak Bay's assets were near the end of their lives and needed substantial updates. Findings were presented to the council.

As Chief Financial Officer Christopher Paine recalled, "It had reached a point where there was visible evidence of the aging infrastructure in Oak Bay." For example the District experienced stormwater backups, lower-than-average pavement condition index in comparison to other Canadian municipalities, and a higher-than-average proportion of reactive versus proactive road maintenance. As he noted, the council adopted an

asset management policy and asset management strategy in 2018. That same year, the council also approved moving one percent of annual tax revenue into its reserves to fund infrastructure needs.

Paine joined Oak Bay in late 2019 and worked closely with the engineering department to advance asset management and develop a long-term financial plan for the community—what would eventually become its sustainable infrastructure replacement plan. While work on this plan was underway, the council approved increasing annual contributions to the reserves of two percent of tax revenues, anticipating that current funding levels would be insufficient.

In explaining asset condition, Paine said, "Once infrastructure is visibly worn, you're past the stage where you should have taken proactive steps to manage it—and it's likely that condition is directly affecting the mandate of service delivery to the community. Oak Bay was in a triage stage, and there was no question that we needed to fund and build infrastructure."

> A 2012 pavement management study commissioned by the district recommended increasing annual funding to $2.8 million to maintain the existing road infrastructure condition.

BUILDING THE SUSTAINABLE INFRASTRUCTURE REPLACEMENT PLAN

Oak Bay's sustainable infrastructure replacement plan was developed to fulfill three specific objectives:

- Forecast infrastructure spending for the next 50 to 100 years.
- Recommend funding levels required to support long-term infrastructure replacement.
- Develop different options to address forecasted funding gaps.

The plan recommends annual funding levels to achieve a sustainable funding stream and continue with capital services; capital investment increases to maintain existing capital services and address the backlog in overdue infrastructure replacement; and a detailed capital asset lifecycle model for all capital assets via a multiyear capital planning process.

As Paine shared, the challenge was in reinterpreting what was needed in a long-term financial plan. "Most people see a long-term financial plan as a spending plan—a capital plan for the next 10 to 20 years. But for Oak Bay, it was less about spending than it was about funding properly. If we were able to fund our assets over their lifecycle, then we wouldn't compress the cost of replacing them on one generation, and

we could take advantage of investment returns, which is a significant benefit to proactive funding."

This approach required a significantly longer time horizon. "The plan outlines what we think we will spend over the next 100 years, which amounts to over $1 billion in today's money. But it also outlines how we will fund it," Paine said. Such long-term planning introduces variables like inflation, investment returns, service levels, and council decisions that will inevitably change as the decades ahead unfold. "We needed to paint a picture at a high level of how much spending we're planning to do and demonstrate how important it is. We also wanted to illustrate the relative difference between what current funding levels could support and what was truly needed, rather than exactly outlining the actual spending." This approach would enable Oak Bay staff to make the case for increased funding levels, which would ultimately demand more in property taxes from residents.

IDENTIFYING AND ADDRESSING THE GAPS

In creating the plan, staff identified two key gaps. The first was a lack of capital service level expectations. Paine explained that Canada uses
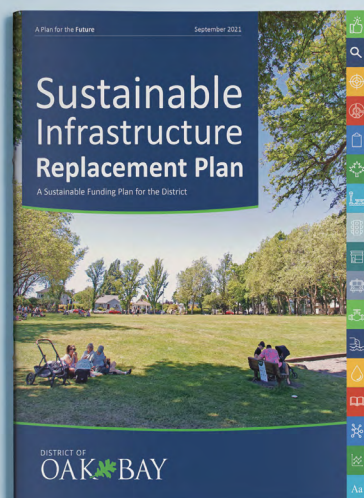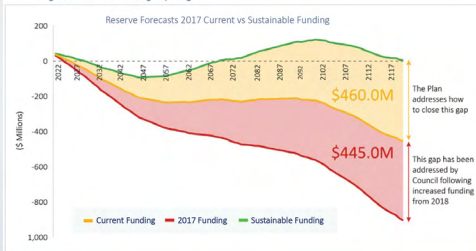
Table 1: Impact of Tax/Utility Rate Increase to Median Residential property

	Recommended option	Annual $ Impact
Taxes	6 years, 2.06% per year	$66
Sewer Utility	8 years, 2.50% per year	$7
Water Utility	8 years, 2.50% per year	$10
TOTAL		**$83**

Figure 1: 100 Year Funding Gap Progress

National Asset Management Standards, which outline useful lives for assets. But there is a difference between useful life and physical life—and it's really about risk. "We don't want to use assets like water mains until they break," Paine said. "We want to deliver uninterrupted service, so in asset management, you choose a useful life that manages that risk." The SIR plan uncovered $275 million in assets that are overdue for replacement, according to the national standards—which means the community has accepted a high level of risk and a low level of capital services. The new plan defines an acceptable level of risk to inform future capital service-level decisions.

The second gap involved asset lifecycle costing information, or information provided to decision-makers at the beginning of infrastructure construction or acquisition. As Paine and his colleagues discovered in this process, accurate lifecycle information often wasn't available. "Now, we're providing council with lifecycle costing information at the outset of the decision, to support better decisions in service of infrastructure needs, the community, and our future."

DIFFERENT COMMUNITIES, DIFFERENT OPPORTUNITIES

As a community incorporated in 1906, Oak Bay faced different infrastructure challenges than those confronted by growing communities. "The lesson here is that younger communities have tremendous opportunity to invest proactively, early on. When they do, they can improve intergenerational funding equity and leverage investment returns to really reduce the cost borne by taxpayers and utility rate payers," Paine explained. "In Oak Bay, it's too late for that. We will have to go into debt just to maintain our day-to-day infrastructure, and it will take decades or more to right the ship. But it's also about the future. The investment returns you can earn over the lifecycle of an asset can exceed the total tax and utility contributions to funding it, so that's a huge opportunity cost for communities."

In Oak Bay, the sustainable infrastructure replacement plan determined that current funding levels were insufficient to address needed asset maintenance and replacement, even with increases in annual tax revenue allocation to reserves. Taxes and utility rates would need to increase to generate additional revenue. To

The District of Oak Bay's plan outlines how they will halt the growth of the funding gap by increasing annual funding to sustainable levels.

convey the "why" to the community, staff created an explainer video and social media campaign, and held information sessions. With the clearly articulated need, Paine said, "The community accepted our infrastructure challenge and addressed the funding moving forward—in part as a result of this report."

GFOA BEST PRACTICE

The District of Oak Bay followed several of GFOA best practices related to capital planning and infrastructure management, which recommends that local, state, and provincial governments establish a system for assessing their capital assets and then appropriately plan and budget for any capital maintenance and replacement needs. "Finance is sometimes seen as the gatekeeper," Paine shared, "but it's not about what we can or can't spend. It's about being able to deliver on the service levels the council sets forth for our community. This plan is about delivering on exactly that—not only for today, but also for tomorrow."

CREATIVE SOLUTION TO A COMMON CHALLENGE

Washtenaw County, Michigan
Robots Record Our Revenue

About Washtenaw County

Washtenaw County is located in southeast Michigan, with a total area of 720 square miles. Its 27 cities, villages, and townships are home to 370,000 citizens in urban, suburban, and rural settings. The county also includes two large universities—University of Michigan and Eastern Michigan University—in its two largest cities, Ann Arbor and Ypsilanti. Its annual budget is $130 million.

Many local governments are confronting the reality that resources, staff, and money are flat, while complexity and volume are ever-increasing. When the Washtenaw County Treasurer's Office struggled to keep up with daily deposits from rapidly diversifying sources of revenue, it was time to find a way to work smarter. In 2021, the county treasurer forged a partnership with the Information Technology (IT) department and a third-party automation vendor to implement the county's first use of robotic process automation. In just one year, the treasurer's office has saved more than 450 staff hours while freeing staff to focus on higher-value work, including customer service. In this article, the project team shares the challenges and lessons—and how other governments can benefit from implementing automation.

THE CHALLENGE OF KEEPING PACE

The Washtenaw County treasurer has a pooled banking and investment model in which all departments deposit to a set of connected bank accounts and all revenue is identified and recorded by the treasurer's office. The treasurer's staff also collects and records numerous payments for delinquent taxes, general billing invoices, hotel accommodation taxes, and other individual transactions, which are summarized into single deposits. Up until late 2021, the process of revenue identification and recording was largely manual. As volume increased to an average of 67 deposits per day, staff struggled to keep up, especially with absences and turnover. To add to the challenge, where the office had once received only cash or checks, revenue sources had diversified and operational departments took

payment online by credit card, PayPal or ACH; by credit card, check or cash in person; and by bank lockbox. Strict reporting requirements require detailed, accurate record keeping, and keeping up with volume is essential to provide other departments with accurate, timely receipts for reporting, management, and planning.

The office had reached a tipping point. Every possible efficiency had already been squeezed out of Excel, system imports, homegrown processes, and staff training. As Washtenaw County Treasurer Catherine McClary explained, "We didn't start out by saying 'we need to automate.' We started out by realizing we couldn't handle the volume, and the complexity of the volume." Like many other organizations and local governments, Washtenaw County has numerous software systems used by individual departments. For example, its parks department relies on park-specific software, while its courts department has court-specific software. These systems are rarely integrated with the county's financial system, and export/imports often transmit only summarized information. Detailed revenue data had to be rekeyed from one system to another, and the process was laborious and error prone. Reconciliations and corrections then took additional time. "We averaged a transposition error rate of about 88 per year," Catherine recalled, citing causes like interruptions. The treasurer's office started considering solutions.

FINDING A SOLUTION, FORGING A PARTNERSHIP

McClary and Chief Deputy Treasurer Kirsten Osborn had seen demonstrations of robotic process automation software robots (bots) at national accounting conferences and recognized that it might be possible to use them for receiving and recording revenue. Robotic process automation is software designed to replicate repetitive, rules-based tasks. Bots can be programmed to conduct a wide range of well-defined tasks quickly and consistently, with

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CATHERINE MCCLARY, WASHTENAW COUNTY TREASURER

benefits including error reduction and increased productivity. Robotic process automation technology is used more extensively in the private sector, including in telecommunications, banking and insurance, and manufacturing. It has also gained a foothold at the federal level, but so far is not common in local government.

Washtenaw County had recently hired IT Director Jeff Rose, who brought deep experience and perspective from the private sector to his new role. It was a complement to McClary's 26 years as treasurer and her previous investment banking experience—and the beginning of a true partnership, McClary recalled. "My office lacked the technical skills to implement an automation solution," she explained. Reflecting on the exploration of a solution, Jeff said, "One of our goals as an IT department is to shift transactional business to free up county staff time so specialists can provide critical services—including customer service. This helps us better serve community residents."

McClary and Rose saw the promise of solving the immediate need while also providing an example of the transformative power of technology. They issued an RFP, which led to the selection of Automation Anywhere. The software was cloud-hosted and would allow the county to purchase the minimum licensing necessary for a proof-of-concept project. Implementation and annual

maintenance fees were within reach for the county budget, especially considering the projected savings on annual staff time.

The team included Kirsten Osborn; Applications Supervisor Brenda Kerr, who focused on defining the opportunity, selecting the right solution, and overseeing the project; IT Applications Specialist Paco Leon, who did most of the heavy lifting on the IT side; and Customer Service Manager Keith Shoemaker.

County staff spent the final months of 2021 preparing for implementation through virtual self-guided training as well as support from Automation Anywhere's robotic process automation experts. The first application of robotic process automation technology would be the recording of the daily deposits. Before even implementing the technology, however, McClary and Rose realized how important change management would be to the process. In a situation like this, staff may be afraid that automation will replace human jobs, whether or not that fear is unfounded. Rose described their goal as a "shift left for the entire county staff," while McClary noted that "we explained to people that this process is just software designed to replicate repetitive tasks—it will reduce grunt work." The team also gave the bot a persona, and it is now called a virtual assistant. "Her name is Akila, which is Arabic for 'logical,'" McClary said.

Staff logged more than 200 hours in investigatory work, internal meetings, vendor research, documentation, training, and bot development. It's an investment that has already yielded results, and one that will continue to save. The county estimates that for the deposit process alone, the bot will save 450 staff hours annually for as long as the software is in use. In addition, future bot development will take less time now that staff know how to approach projects and use the tool. Akila has also driven down the error rate. "From January to June 2022," McClary recalled, "we had zero errors, where we would normally have an average of 44."

HITTING SOME TURBULENCE

Six months after implementation, Automation Anywhere rolled out a planned upgrade. The county did not have a process in place for upgrades, so its firewall stopped it. The software stopped working, and the fix ultimately led to a reinstallation and nearly three weeks without Akila. "We have an essential duty to record revenue accurately and in a timely fashion," McClary said, "so we made a management decision to record revenue manually again, and we diverted the entire staff to catch up on two weeks' worth of work. During that time, we had five errors, which reminded us about the value of the bot's precision." Once the software was up and running again, the team debriefed on lessons learned, a step that McClary and Rose highlighted for the benefit of other governments.

The first takeaway is that eliminating grunt work makes for happier staff—and county residents. With the software handling transmittals and copying them into the general ledger, staff can take more time with customers, including addressing complicated questions. The second insight was that staff saw Akila's day-to-day value. "Until we had to catch up, we didn't always realize that four and a half hours of work a day was being done by something we couldn't see," McClary said. The third takeaway was the need for a non-production environment to prepare for upgrades, fixes, and other maintenance to avoid a repeat of last summer's downtime.

LESSONS FOR OTHER GOVERNMENTS

New digital tools enable new ways of working—many of them more efficient and precise. Automation is one such tool, but it exists on a continuum. As McClary and Rose emphasized, smaller organizations can benefit from using Excel to its fullest for sorting and filtering tools. Import tools can help reduce the burden and error risks of data entry. And automation can transform any process with structured data for which rules can be written. Automation can also be tested in pilot projects like Washtenaw's.
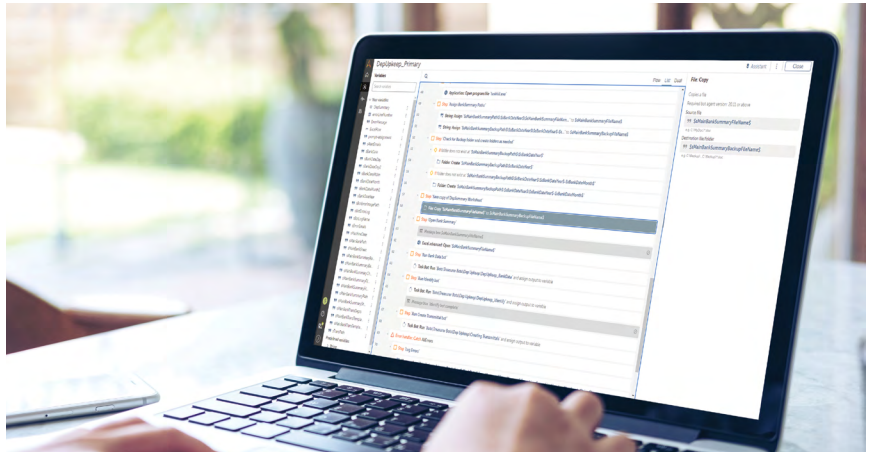
Success in implementation requires the right software and partner—one that fits into the resources available to a local government and one the local government can build a relationship with to work through challenges and unexpected issues. It also depends on allocating key staff time daily, including temporarily reassigning existing duties like help desk tickets for Leon and meeting leadership for Shoemaker so they could work together during dedicated blocks each morning. "It takes saying to your staff, this is going to make such a difference in how we can serve the public that I am going to provide the time," McClary pointed out.

The challenges Washtenaw County faced in increasing deposit volume and source complexity amid resource constraints are common struggles for many local governments. This makes the county's success replicable. "Anyone who knows Excel well can take this tool, follow the guided training, and oversee a successful implementation," McClary emphasized.

The team is already well into another project for Akila: providing login and password credentials for her to download banking information from bank file transfer protocol sites and place it in the shared drive for early-morning access by treasury staff. They are also actively discussing opportunities within the finance, procurement, human resource, service, and help desk departments for other ways to use robotic process automation technology.

Recording daily deposits using automation technology will save the county an estimated 450 staff hours annually and all but eliminate errors.

GFOA BEST PRACTICES

The Washtenaw County Treasurer's Office followed GFOA best practices for internal controls to ensure the accurate and timely recording of revenue and reconciliation of bank accounts. Another key to success was following recommendations found as part of the cybersecurity risk assessment related to a GFOA research report (gfoa.org/materials/byte-of-prevention). Rose also noted the county's strict adherence to data compliance standards as fundamental to project planning and implementation.

McClary, Rose, and the team are breaking new ground for the application of automation tools like robotic process automation. McClary regularly attends meetings and connects with colleagues across the United States and Canada. "Washtenaw County has been a leader in robotic process automation for local government," she noted, "and we hope to show others the benefits."

"Treasury has been the ideal partner to showcase the positive aspects of automation," Rose said. "The implementation has given us a sandbox we can use to show the rest of the county what's possible with technology, and through strategic alignment among departments."

Northshore School District, Washington

Using Performance Measurement to Align the Budget and Pursue Strategic Plan Goals

GFOA Best Practices

- Establishment of Strategic Plans
- Performance Measures

About the Northshore School District

Located in the Seattle metropolitan area, the Northshore School District includes 20 elementary schools, six middle schools, six high schools, and one early childhood center, serving 24,000 students in all. The district spans 60 square miles and primarily serves seven jurisdictions: King County, Snohomish County, the City of Bothell, the City of Brier, the City of Kenmore, the City of Kirkland, and the City of Woodinville.

While conversations about equity have accelerated since 2020, discussion is one thing, while successful and practical implementation is entirely another. When the Northshore School District began efforts to implement a strategic plan and transform its budgeting process through an equity lens, staff knew that change would be challenging. Now in the sixth year of its strategic plan, the Northshore School District has seen tremendous progress toward its intended goals, while also having successfully navigated the challenges of the COVID-19 pandemic, staff changes, and planning for the future.

CREATING THE STRATEGIC PLAN

The Northshore School District had strong performance across the district, from academic outcomes to staff resourcing. In 2017, however, the district's board of directors decided that more could be accomplished, especially regarding students who were "furthest from educational justice." District leadership defined equity as "addressing the unique needs of each student." With this focus, the district sought to solidify its goals for student learning by creating a strategic plan. To ensure the plan's equity lens was as broad as possible, district leadership involved the community and included students' voices through a variety of forums and listening tools.

The plan clarified the goals and the building blocks needed to pursue them, but ultimately, successfully bringing the plan to life required establishing new systems and evidence-based performance measures. Four years ago, the district hired a new superintendent to lead the charge in aligning staff and resources toward these goals. One of the

adjustments included a new approach to budgeting that would create greater alignment between dollars and resources to meet plan goals.

Mike Bailey joined the district at this time as director of strategic projects and internal audit. He recalled: "The superintendent was concerned that there wasn't enough change occurring across the district to create alignment with the plan, and one area was alignment of finances and resources. For the past four years, I have been here with the specific purpose of grading that alignment. In my experience, it takes a long time for change to permeate through an organization and affect its culture. And yet, in only a few years, we have seen tremendous change take root in our district."

Northshore identified five goal areas for the strategic plan:

1. Success in the early years
2. Responsible, resilient, empathetic learners
3. Growth for every student, and elimination of outcome and opportunity gaps
4. Innovative, creative, critical thinkers
5. Ready for lifelong success after graduation

The elements of the strategic plan include:

1. District vision and policy
2. Strategy and implementation
3. Structure and systems
4. Support and supervision
5. Classrooms and teachers
6. Successful students

The plan and goals reinforce the district's mission to strengthen the community through education. They informed numerous operational and financial steps to align efforts at every level in the district—from the board to the classroom—toward the identified goals. These efforts are reinforced by a series of performance measures that identify progress as well as continued areas of opportunity. The data from these measures is used to confirm or adjust approaches that lend themselves to success in each of the goals, for each student.

Goals and performance measures also inform policy decisions, including those related to resource allocation and specific equity goals that are aligned with student learning goals. The district hired a consultant to assist in developing the strategic plan, but full-time staff have been hands-on in

implementing plan goals. The intent was to ensure that the district could sustain the plan's goals in day-to-day work.

As an example of evidence-based performance measures and equity in action, the goals—for reading—are translated down to the classroom level, with progress visible at the group and individual levels. This insight helps teachers tailor instruction to each student. Collected data illustrates the journey each student makes during the year, as they may start at or below grade-level and then progress with classroom activity and custom instructional support. The equity lens allows each student to be met where they are and provided what they need to improve.

"The executive cabinet has been working very hard over the past few years on the equity process, and we're making a lot of progress," said Chief Financial Officer Tracy Patterson. "A lot of our discussions involve equity, whether it's around program delivery, or budget, or preparation and development—in everything that we do, we put equity first."

ADOPTING A NEW BUDGET PROCESS

In addition, the district made a significant change in its budget practices. Previously, the district strictly followed the direction of the Washington State Office of Public Instruction guidance. While this resulted in a budget that passed muster with the state, it did not support the district's intention to align resources with the strategic plan. The district began participating in GFOA's Excellence in School Budgeting initiative and the Award for Distinguished Budget Presentation for guidance in adopting a new approach to budgeting. These resources have reinforced the district's commitment to putting its strategic plan into action through resource allocation. Ultimately, the district moved away from the traditional approach of rolling last year's budget over into the next year with only minor changes.
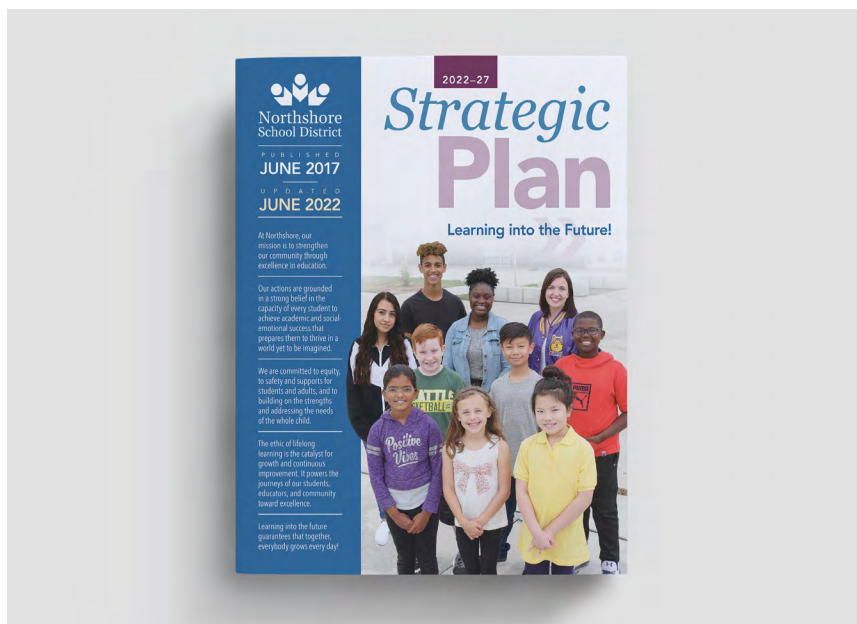
Reimagining the way the district approaches an annual budget of $500 million to serve 24,000 students would not be easy—but it was necessary to align shared goals and resources. Now, Northshore faced the challenge of bringing the business side of the organization into harmony with the instructional side.

"It was challenging at first, to bring along the instructional side of leadership with the concept of trying to identify the return-on-investment metrics as we moved forward with the process of a new budget development and thought about how we were going to deliver and distribute resources," Tracy said. "Today there's heightened awareness of the connection between the budget development and resource management, change management, and prioritizing the instructional side to improve student achievement and close the gaps that we recognize. I think we're getting much closer to developing reasonable and meaningful metrics."

As both Tracy and Mike noted, change management implementation takes time, and a strategic plan is more than just a document—it's a living, breathing set of goals to inform day-to-day work. "Change is a pursuit," Mike added, "and nobody's got this all figured out. It's in front of us all the time, and we have continual and ongoing conversations about how we're doing."

FACING THE UNEXPECTED AND PLANNING FOR THE FUTURE

The district was gaining ground on plan goals when the COVID-19 pandemic hit, forcing a rapid shift to a remote learning environment for 24,000 students. District leadership quickly adapted by creating playbooks to support the remote learning model, maintaining engagement, and helping students through new challenges like changes to student traditions and addressing social and emotional learning. Despite the obstacles, Tracy recalled with pride what the district accomplished. "We had a lot of champions here in the district who did wonderful things during that difficult time."

The district and its administrative leader have earned national recognition. Superintendent Michelle Reid was named the 2021 School Superintendents Association's National Superintendent of the Year for her leadership in establishing school equity and navigating through the COVID-19 crisis, and Northshore was recognized as one of the leading districts in its approach to the pandemic. While Michelle has since moved to a new role in another district, staff are sustaining progress, which can be particularly challenging after such a high-profile departure.

"What we have created outlives those of us who have been working to institute it from the beginning,"

Mike explained. "We continually remind ourselves that one, there's always room for improvement, and two, we must make this sustainable." In addition, a committed board and staff continually champion the plan and its goal of equity for all students. Throughout the creation of the plan and the performance measures, students have been invited to actively participate to ensure their voices are incorporated.

"I really appreciate the way Northshore looks at equity," Mike said. "Regardless of where the students are coming from, the goal is that they feel that Northshore is a place where they belong."

GFOA BEST PRACTICES

Northshore School District followed two GFOA best practices in creating its strategic plan, *Establishment of Strategic Plans* and *Performance Measures*. In creating a strategic plan and aligning organizational resources, the district used plan objectives to determine how its available resources can be tied to future goals. The district used performance measures to collect information about day-to-day activities, achievement of academic goals, community conditions, and other environmental factors to understand the needs of students and to make informed decisions. GFOA best practice stipulates that performance data should be integral to an organization's decision-making processes and that leaders within an organization should set expectations that key decisions are supported by evidence, such as the measures taken by Northshore to consistently review and respond to data and feedback from students and staff alike.

While these best practices may be more accepted practice within municipalities, Northshore has led the way in implementing them in an academic setting. In addition, the district's approach to strategic planning, performance measures, and equity illustrates how organizations can connect the policy, operational, and financial elements of the best practices into an interactive system that becomes more than the sum of its parts. For more information on GFOA best practices for school budgeting, please visit smarterschoolspending.org.

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TRACY PATTERSON, NORTHSHORE SCHOOL DISTRICT CHIEF FINANCIAL OFFICER

DEI
Diversity | Equity | Inclusion

We believe that advancing excellence in government finance is interconnected with our commitment to diversity, equity, and inclusion (DEI). Our members shape the policies, programs, and resource allocations in their communities, and we are strengthened by the differences they represent. GFOA's DEI Initiative outlines the actions being taken to uphold the principles of DEI as stated in GFOA's Code of Ethics.

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The Corporation of the County of Prince Edward, Ontario
Planning for Future Stability with Innovative Infrastructure Development

About the Corporation of the County of Prince Edward

Located on an island in southeastern Lake Ontario, the County of Prince Edward is home to 25,000 residents. The county has nine regions and is widely varied, with deep roots in agriculture and unique natural features surrounded by 800 kilometers of Great Lakes shoreline. Its headquarters is in the municipality of Picton.

Rural communities with small tax bases face daunting challenges in funding the infrastructure needed to support growth. Often, rural councils are reluctant to tie up debt capacity and take on major infrastructure projects. In Prince Edward County, Ontario, though, the council and municipal leadership had no choice—surging growth required bold action. Their solution was an upfront financing agreement, adapted from its use in urban areas to a pioneering approach for a rural community. Discover what Prince Edward County leaders learned—and how their solution can be a model for other small communities facing similar challenges.

A PERIOD OF RAPID GROWTH

Located equidistant from three of Canada's major cities—Ottawa, Montreal, and Toronto—Prince Edward County had become a premier tourist destination over the last decade. With its vineyards, agricultural tourism, and beautiful Lake Ontario shoreline, the county's appeal to urbanites has made it an increasingly attractive place to live and work. As the pandemic unfolded, this upward trend in population surged along with remote and hybrid work arrangements that gave professionals new flexibility. As Chief Administrative Officer Marcia Wallace said, "Historically, the county was a very sleepy place… until it wasn't." From 2014 to 2020, the county's population increased by 4 percent, and based on current planning

applications, growth is expected to increase 333 percent through 2027.

With the influx of people came new demand for housing, county services, and infrastructure. Director of Finance Amanda Carter explained, "The growth happened faster than expected, exceeding our capacity to service it." The community of Wellington, which has 2,000 residents, is expecting a population increase of more than 3,000 people in the next three to five years. The municipality's downtown area is constrained, with limits to expansions or changes on its main street. Additionally, a lack of water pressure compromises fire safety.

"We have real problems," Marcia explained, "even if we could have stopped the growth—which we couldn't, as we had already zoned the land." Recognizing that the county's infrastructure was at capacity, leadership undertook an environmental assessment process that provided insight into infrastructure needs and costs aligned with anticipated growth. The focus was on the immediate and short-term water and wastewater needs.

This assessment resulted in a Master Servicing Plan for Wellington, which has determined that $68 million will be needed in the first phase of water and wastewater investment to meet immediate and short-term needs. The plan will also determine the infrastructure improvements required in the next 10 to 20 years to accommodate projected growth.

FACING UNIQUE CHALLENGES

In funding infrastructure, the challenges faced by a rural community differ from those of an urban area. The difficulty is not just about a smaller tax base and limits to borrowing capacity; it's also about adapting to change.

In Canada, municipal governments are mandated to carry out asset management planning, including for roads, bridges, water, wastewater, and more. The county's planning revealed an imbalance, with far too much needed infrastructure for its current population size to afford. Given the

county's levy of $45 million, the typical 1 percent allocation for infrastructure would mean there wouldn't be enough funds to maintain or build at the service levels needed for the county's rapid population growth. "We had to come up with a different approach to financing because we were already under pressure to find a way to make long-term financing work for the infrastructure deficit, and that was before we tackled the growth problem," Marcia said.

The county had already considered ways to limit the cost of infrastructure, including restricting rural severances and subdivisions to focus growth in specific areas. While controversial, this approach was consistent with provincial policy to protect viable farmland and agritourism, which are of major economic importance to the region.

Despite its thorough analysis and careful approach, leadership faced an uphill fight in making the case for a new approach to funding. "There's reluctance among rural councils to take on debt," Marcia explained. "Even if we do take on debt, our annual repayment limit is narrow, compared to that of a major city—meaning our borrowing capacity is

The community of Wellington (above) is expecting its population to more than double over the next three to five years.

limited. Rural communities don't have the same tools that cities do. Sometimes, we have to create our own."

INNOVATING WITH UPFRONT FINANCING

Its limited borrowing capacity put the county in a difficult position. The borrowing pressure and the interest payments on the debt would, in all likelihood, exceed the value of the multimillion-dollar commitment the province would make. "Infrastructure policy isn't scaled," Marcia noted, "even though it needs to be to be able to meet the mandate of service delivery and keep pace with growth." Amanda added, "The borrowing capacity is related to how much money you make in a municipality, and we just didn't have that scale." Second, the traditional means of financing debt would drive up tax and utility rates, which were already higher than in other area municipalities.

In a previous role with the province, Marcia had seen firsthand how regional municipalities in the Toronto area used upfront financing to secure commitments and control the pace of development in the region. She knew that while these financing agreements were complex, they were well understood by developers, and they might offer a model for sustainable infrastructure development for Wellington. "We thought, if a developer is really serious about building, maybe they will provide the same kind of financial assurance to these agreements through bonds or pay their development charges at the time of construction, rather than at the time of planning approval or construction."

Development charges are fees collected from developers, typically at the time a building permit is issued, to help pay for the cost of growth-related municipal infrastructure. Negotiating upfront financing agreements with developers is permitted under the Development Charges Act, allowing governments to collect development charges before costs to expand water and wastewater infrastructure are incurred. The twist was that upfront financing agreements had never been pursued previously in the county—Wellington's would be the first.

In pursuit of this solution, Marcia and Amanda collaborated with the county's senior staff, its economist, consultants, lawyer, and lead engineer from development services. The team brainstormed tirelessly, adapting traditional upfront financing agreement structure to their particular needs. "It was complicated to build the first agreement," Marcia recalled. "It took almost a year to get it in place."

In December 2021, the county announced its first agreements, totaling more than $20 million

in commitments in exchange for guaranteed access to servicing and $4 million in letters of credit to backstop the agreements. These letters of credit signal the developers' seriousness about proceeding with the planned developments, in exchange for the county reserving water and wastewater capacity. Unlike larger communities with complex legal agreements, the county developed a simple template that guarantees a developer's connection to a project, linked to the number of units being built and the required development charges. The county also developed a site-specific development charge based on the geography the infrastructure was being built for.

With the developers' commitments, the council could agree to a project that represented 26 percent of the borrowing capacity, knowing that at a minimum the next 10 years of debt payments would be covered by developers' pre-payments. It's a win-win, allowing for the much-needed infrastructure

funding while assuring developers that significant infrastructure would be ready in time for their substantial construction investment. It's the kind of certainty rarely found in small, rural communities.

IMPLEMENTING THE STRATEGY OUTSIDE OF THE COUNTY

Prince Edward County has developed a template that can be used for future development projects that require infrastructure investment, serving as a model for the creative application of proven approaches, tailored to small communities. "It's opened doors and dialogue for other municipalities that could benefit from this approach," Amanda said. "Small communities like ours have to reimagine the tools we use to solve our challenges," Marcia added. "It's hard, it takes time we sometimes don't have, but it's this kind of innovative thinking that helps us chart a path forward to meet our infrastructure needs, while ensuring financial sustainability."

Prince Edward County has developed a template that can be used for future development projects that require infrastructure investment, serving as a model for the creative application of proven approaches, tailored to small communities.

Pictured at right, the Wellington Wastewater Treatment Plant. The Master Servicing Plan for Wellington has determined that $68 million will be needed in the first phase of water and wastewater investment to prepare for the expected population increase.