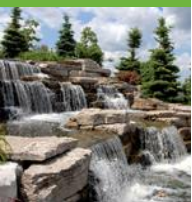




2019 Draft Capital Budget and Forecast

Budget Committee of the Whole

Tuesday, January 22, 2019



Agenda

- A review of how capital projects are developed
- How are capital projects funded
- 2019 Capital Budget
- 2019 Significant Projects
- Overview of 2020-20228 Capital Forecast
- Capital Budget & Forecast Funding

What do we own?

- Richmond Hill is one of over 5,600 municipalities in Canada
- One of over 440 municipalities in Ontario
- Our assets include:
 - Community Centers
 - Libraries
 - Pools
 - Parks
 - Roads
 - Sanitary and storm sewers and watermains
 - Arenas
 - Storm ponds
 - Storm pond rehabilitation
 - Building Components
 - Sidewalk and trails infrastructure

How are capital projects identified

- Legislative – AODA Standards
- Council
- Emergency repairs
- Studies
- Road Reconstruction Priority Rating System
- Renewal Capital Asset Planning Process (ReCAPP)
- Pedestrian and cycling master plan
- Development charges
- Other departments
- Stormwater Pond Rehabilitation Program
- Transportation Master Plan
- Recreation Master Plan

Other Influences

- Funding from other levels of government
- York Region Capital Plan
- TRCA
- Neighboring municipalities capital plan

The Capital Plan

- Implements visions into reality through action
- Prioritizes new capital to:
 - Support growth due to development
 - Implements life cycle repair and replacement of existing assets to ensure reliability, performance and system safety
- Sets the timing of capital works

What process does a capital project follow to Implementation:

- Feasibility studies
- Environmental assessment studies
- Master plans
- Preliminary design
- Detailed design
- Construction
- **Delivery of Capital Project**
 - First year, background work including design
 - Second year and subsequent years, tender preparation, award, followed by construction
- **Typical capital project workplans span 2-4 years**
 - Feasibility Studies
 - Environment Assessments
 - Functional and Detailed Design
 - Construction

Where are the resources to carry out capital projects?

- Predominately reside in EIS
- Finance is a strong partner
- Public Works
- End users provide (Recreation, Fire, Library, etc.) guidance and direction on building logistics

Who else is committed to Capital Investment?

- The Province
- Federal Government
- AMO
- Council

Capital Planning

The quality of municipal services manifests itself through the availability and quality of capital infrastructure

Examples of Capital Investments



- Jefferson Salamander Park



- Elgin Mills Greenway Pond



- Cedar Ave. & Palmer Ave. Watermain Replacement



- Elvis Stojko Arena Ice Slab Replacement

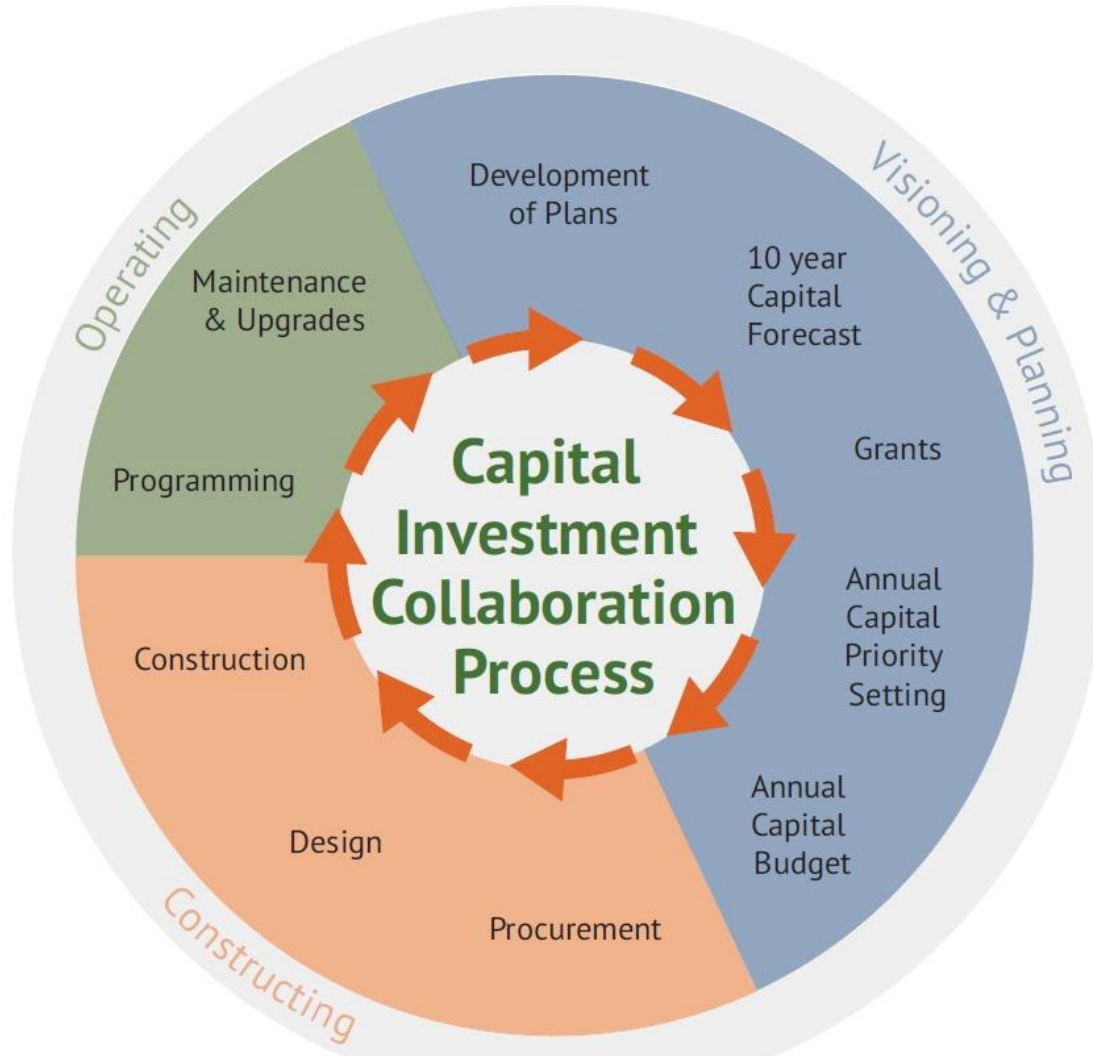


- Parking Ticket Manager System



- Rouge Woods Bocce Court Conversion

Capital Investment Process



Capital Budget Strategy – June 20th BCW

Council Direction:

That staff present a 2019 Draft Capital Budget and Forecast that:

- Align with the Town's Strategic Plan and other Council Approved initiatives
- Manage the Town's capital program reflective of corporate priorities
- Maximize all funding from external sources, development charges and reserve funding and considers the prudent issuance of debt as an alternate use of available funding resources

2019 Capital Budget

Department	Capital Budget
Environment & Infrastructure Services	\$26,403,000
Corporate & Financial Services	8,070,600
Community Services Department	4,357,600
Planning & Regulatory Services	1,633,300
2019 Capital Budget – excluding RHPL	\$40,464,500
Richmond Hill Public Library	1,184,300
2019 Capital Budget – Per Dec 21 Capital Budget Binder	\$41,648,800
Salaries & Overhead Cost	2,312,300
2019 Total Capital Budget Request	\$43,961,100

2019 Significant Projects

(63% (\$26.2 M) of Total 2019 Request)

Roads Reconstruction

- Bethesda Sideroad Rehabilitation – Anchusa Dr & Leslie St
- Montiel Road – Laverock to Driscoll
- Tampico Road – Laverock to Driscoll

Trails & Other

- Lake to Lake MUP (Phase 3) - Major Mackenzie Dr. to Elgin Mills Rd
- Bridges & Culvert repairs

Parks

- Kings College Park Revitalization
- Harris Beech Park

Facilities

- Elgin West Community Centre repairs and replacements
- Amos Wright House repairs and replacement
- Energy Conservation Projects

Development Engineering

- Highway 404 Flyover-North of 16th Land Acquisition

Water & Wastewater

- Water Meter – Replacements

2019 Significant Projects

2019
Budget

Community Services

- Fire Apparatus
- Fleet Replacement

Information Technology

- Foundational Projects (R&R)
- Business Application Evolutions

Grant Funded Capital Program

- From 2008 to 2017, Richmond Hill has received \$33.8M in grant funding, which has contributed to over \$70M in total project value
- It is expected that this level of grant funding will likely continue into the forecasted future, in 3 main program areas
 - 1) Stormwater Management
 - 2) Buildings
 - 3) Parks & Trails

Grant Funded Capital Program ²⁰¹⁹ Budget

- Council approved additional staff resources in 2018
- Harding/Lennox Park Revitalization project and sediment removal projects are shovel ready should grant funding become available.

Capital Forecast 2020-2028

Department	Ten-Year Capital Forecast
Environment & Infrastructure Services	\$626,336,100
Corporate & Financial Services	44,542,800
Community Services Department	185,935,400
Planning & Regulatory Services	11,418,200
Capital Forecast– excluding RHPL	\$868,232,500
Richmond Hill Public Library	46,501,700
Capital Forecast – Per Dec 21 Capital Budget Binder	\$914,734,200
Salaries & Overhead Cost	64,180,500
Total Capital Forecast	\$978,914,700

Forecasted Significant Projects 2020-2028

2019
Budget

Civic Precinct

- Civic Centre and Central Library Expansion

Information Technology

- Foundational Projects, systems and applications

Parks

- Bayview Hill Revitalization, Harding/Lennox Park Revitalization, Mill Pond/Stavert Park Revitalization
- Newberry Community Park, Ozark Park, Richmond Green Park, Town/Unity Park, North Leslie Community Park East, West Gormley Community Park Sedgewick
- David Dunlap Observatory Early and Medium Terms

Facilities

- Facility Buildings
- Operations Centre
- David Dunlap Observatory Long Term Rehabilitation and Occupancy Work
- New RH Centre Library, Richmond Green Library Expansion

Forecasted Significant Projects 2020-2028

Budget ²⁰¹⁹

Stormwater Management

- Beaver Creek Pond A, Beaufort Hills Pond, Don Head East Pond, Mill Pond Park
- Flood Remediation

Roads, Sidewalks & Trails

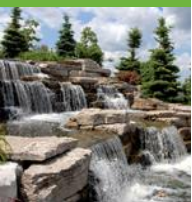
- Arnold Crescent, Elizabeth & Highland, Bethesda Sideroad, Coons Road, Maple Grove Ave, Rockport Crescent
- Pedestrian & Cycling Master Plan
- East Beaver Creek Road Transportation Improvement and Widening, Newkirk Road Widening, Weldrick Road East Road Widening & Grade Sep

Water & Wastewater

- Major Mackenzie Drive, Muirhead Crescent & Stouffville Road Sanitary Servicing

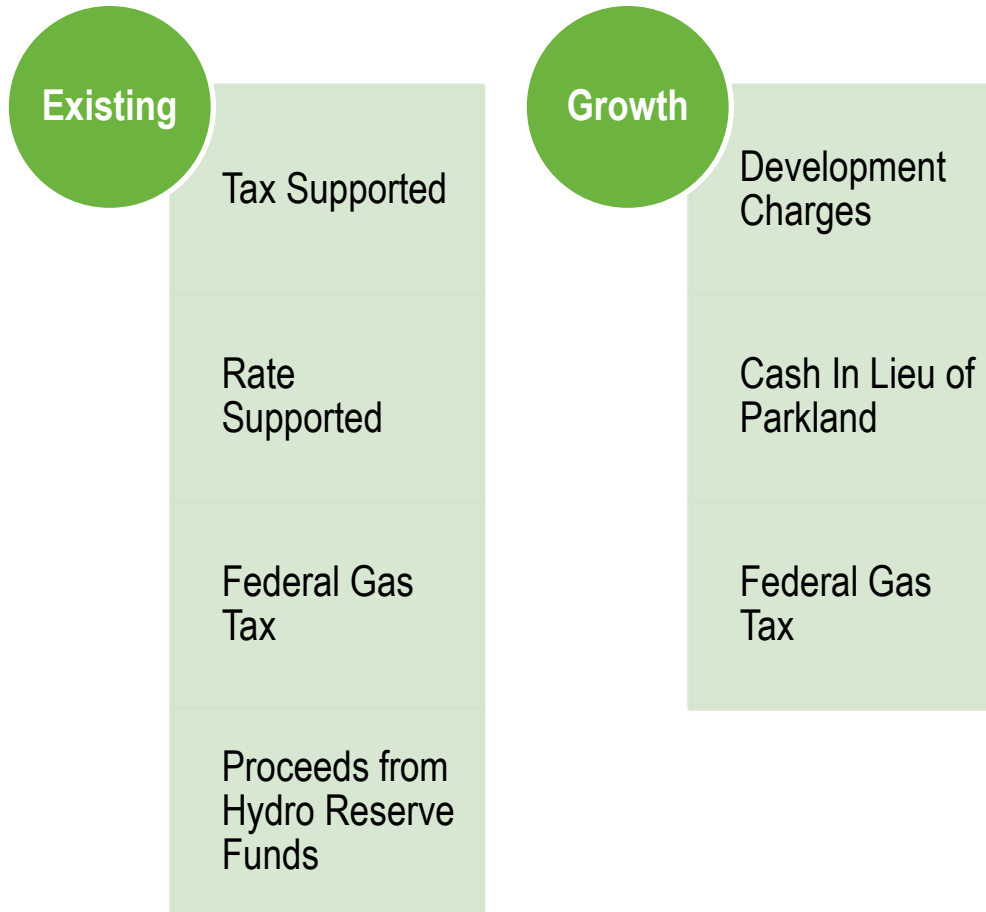
Programs

- Fire Vehicles, Park & Fleet Replacement, Station VII
- Road Overlay
- Air Support Facilities
- North Leslie Multi-Purpose Recreational Facility
- UMESP Wastewater System Improvement



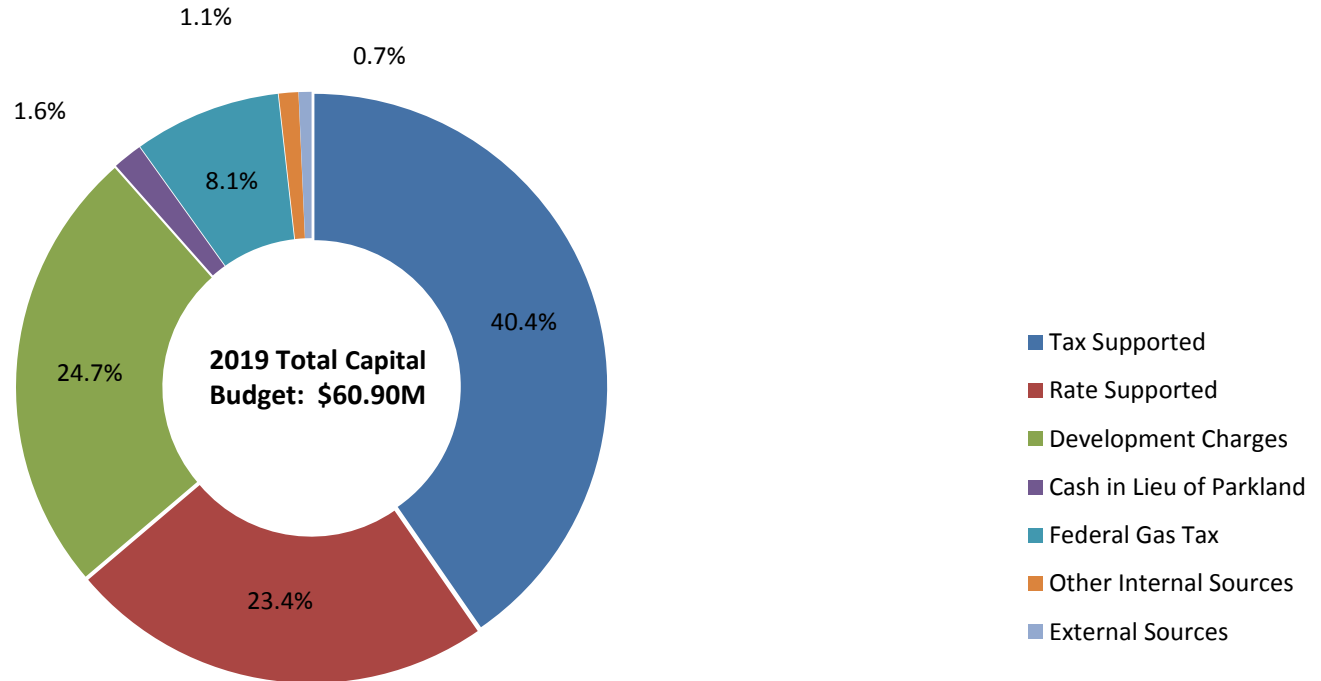
Capital Budget and Forecast Funding

Major Funding Sources for Capital



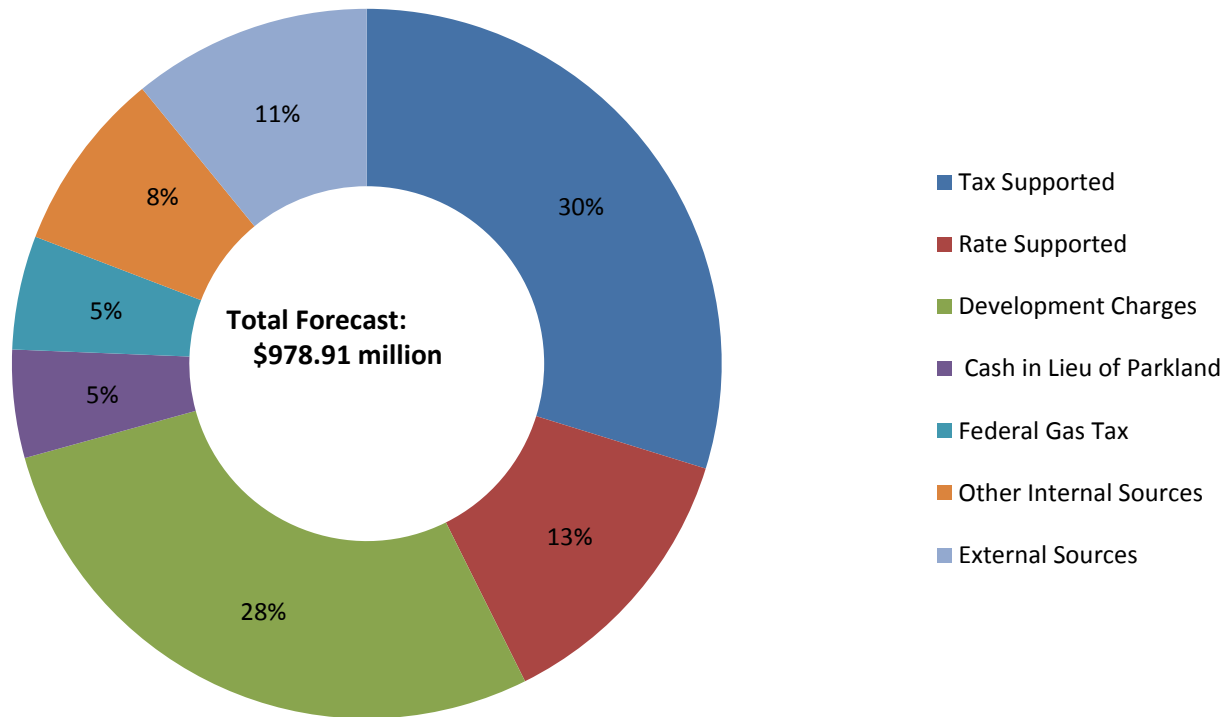
2019 Total Capital Program Funding

2019 Total Capital Budget -
Funding Sources



Capital Forecast Funding

2020 - 2028 Capital Forecast
Funding Sources



Funding Impact

- The various initiatives amongst other projects significantly impact the Town's capital related reserve funds, specifically in the following areas:
 - Tax Supported Reserve Funds
 - Development Charges Reserve Funds
 - Federal Gas Tax Reserve Fund
 - Water Quality Protection Reserve Fund

Tax Supported Capital Reserves

- These reserves fund over 30% of the Capital Budget & Forecast and pose the most significant financial sustainability challenge for Richmond Hill & all municipalities
- A funding envelope approach was established in the 2019 Capital Budget and Forecast for 2019 to 2023, capping the tax supported capital expenditures at approximately \$25 million per year. In doing so, the tax supported reserve funds are anticipated to expire in 2023

Capital Asset Sustainability Strategy - History

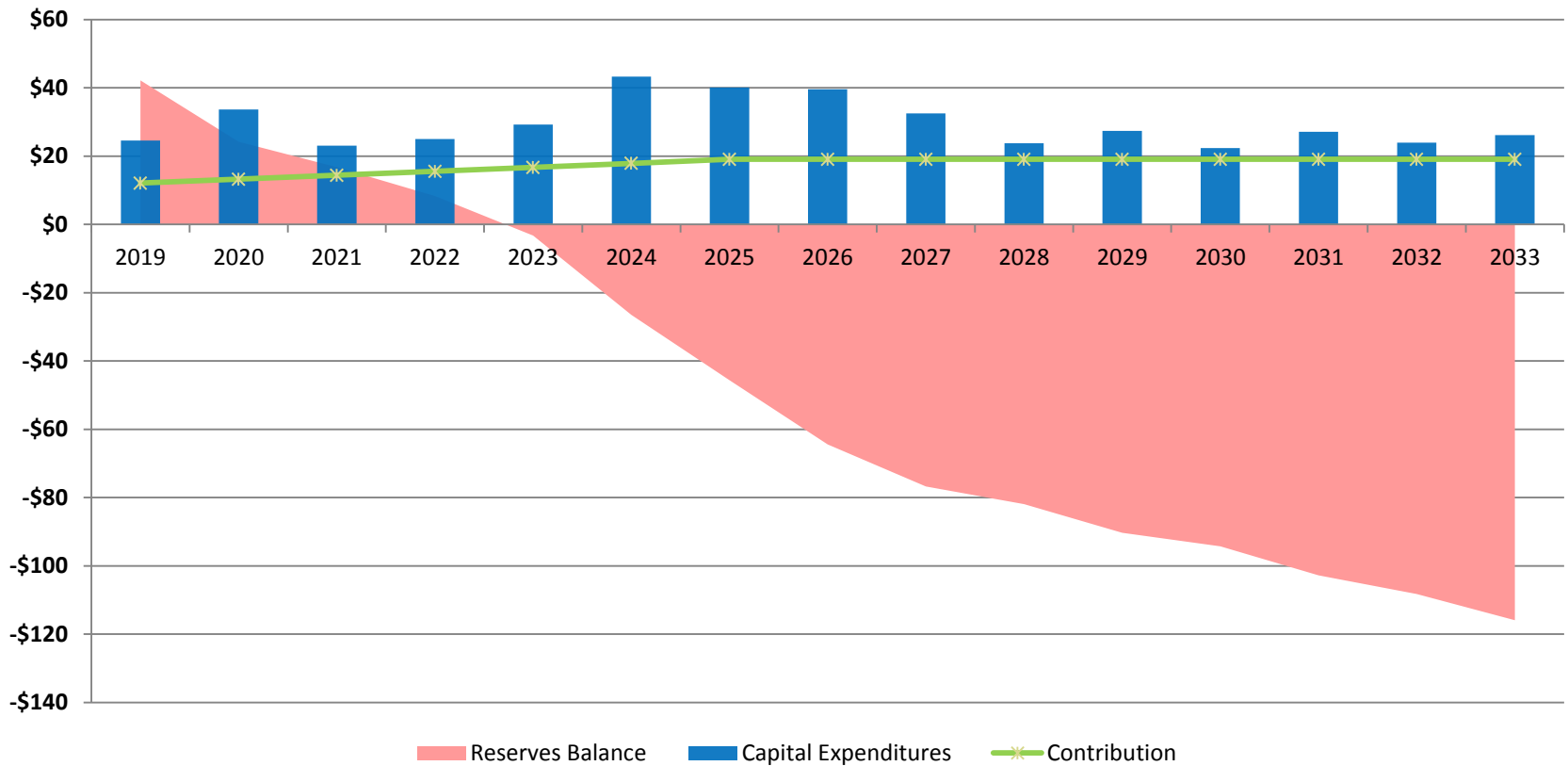
- In 2015, Council adopted Capital Asset Sustainability Strategy, intended to gradually move the Town towards a “Pay As You Go” approach. Tax Supported Capital Reserves were forecasted to be depleted by 2021
- 1% Capital Asset Sustainability (CAS) levy was approved by Council (\$15 per tax account) to increase annually by the equivalent of 1% tax rate each year to 2025, to help bridge funding gap
- 2017 Capital Budget Strategy, direction to manage the average annual Tax Supported Capital Program. The corporate target was to reduce the annual average capital expenditures from \$23M to \$18M to achieve “Pay As You Go” by 2025
- Reviews and rationalization of the annual capital expenditures resulted in the annual average capital expenditures being reduced from \$23M to \$21.6M extending the life of the Tax Supported Reserve Funds from 2021 to 2027

Tax Supported Reserve Funds – Where We Are Today

- **Average annual spend 2015 to 2018: \$26.8 million**
- **Anticipated annual spend 2019 to 2028 : \$29.7 million** (based on current practice, this will likely increase when a comprehensive asset management plan is in place)
- **Tax Supported Reserve Funds will be depleted: 2023** (based on capped forecast at \$25M)

Tax Supported Reserve Funds Forecast

2019 to 2033 Escalated Expenditures, Contribution, Reserves Impact



Need for New Sustainability Strategy

Successful Strategy will require:

- Service level review/changes endorsed by Council
- Annual increase of Capital Sustainability Levy beyond 2025
- Funding strategy that includes Debt combined with maintaining base Reserve Fund levels
- Be approved as part of 2020 Capital Budget process for immediate implementation

Capital Levy Comparisons

- **Mississauga:** Capital Infrastructure and Debt Repayment Levies 2%. 1% for debt charges, 1% for capital reserves.
- **Brampton:** 2% infrastructure levy
- **Oakville:** 1% capital levy increase every year since 1996.
- **Vaughan:** 1% capital levy
- **Markham:** 2018 Budget 2.44% levy for day-to-day operations and infrastructure investment
- **Richmond Hill:** 1% capital sustainability levy increase annually to 2025 (& beyond?)

Other Funding Impacts

- Development Charges Reserve Funds
 - Forecast identifies significant spending leading to temporary deficits until growth revenues are realized
 - Debt financing would need to be considered to fund these capital projects in advance of DC revenues
- Federal Gas Tax Reserve Fund
 - Town receives about \$6M per year, indexed annually
 - Used to fund energy conservation projects, facility repairs and replacements, and road reconstruction projects (some relief for tax supported reserve funds)

Other Funding Impacts

- Water Quality Protection Reserve Fund
 - used for funding of Stormwater Management related projects
 - current Stormwater Management Fee structure will not be sufficient to fund forecasted expenditures and reserve fund will be depleted in next two years
 - In 2019, staff will be reviewing fee options based on land use of all properties to determine a more equitable rate structure, and will be proposing the results to Council as part of 2020 budget process

Operating Budget Impact

- Capital projects and infrastructure are generally funded through the various Town reserve funds, development charges and other funding sources
- Additional resources are required to operate and maintain the capital infrastructure, once they are ready for use, which places additional pressures on the operating budget
 - eg. personnel costs, maintenance costs, asset replacement provisions

Operating Budget Impacts

Forecasted incremental operating impacts related to the 2019 Capital Budget and Forecast:

	2020	2021	2022
Personnel Costs	\$1,800	\$96,300	\$201,700
Other Operating Costs	\$224,750	\$318,850	\$409,050
Revenues			\$(7,000)
Total	\$226,550	\$415,150	\$603,750

Recommendations

- a) That the 2019 Draft Capital budget in the amount of \$43,961,100 as identified in Appendix “A” of SRCFS.19.002 be approved;
- b) That the 2019 Draft Capital Budget recommended funding sources identified in Appendix “D” be approved;
- c) That the Harding/Lennox Park Revitalization and the sediment removal projects as identified in the Projects Contingent on Grant Funding List in Appendix “B” of SRCFS.19.002 be advanced to 2019 if grant funding becomes available;

Recommendations

- d) That the Capital Forecast in the amount of \$978,914,700 as attached to Appendix “G” and “H” of SRCFS.19.002 and the Capital Grant Contingency List as identified in Appendix “B” of SRCFS.19.002 be received; and
- e) That the draft By-Law No. 03-19, as attached as Appendix “I” to SRCFS.19.002, be referred to the February 11, 2019 Council meeting for adoption.

Next Step

Council Adoption – February 11th