

Draft 2019 Capital Budgets

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Agenda



1. What does Council need to know for the 2019 budget?
2. Update budget recommendations
3. Project reconsiderations



What is the capital budget?



The capital budget is the annual plan for the purchase and financing of the Town's capital assets.

Capital assets include infrastructure, lands, buildings, machinery and equipment, significant plans and studies.



What are tangible capital assets?

- Non-financial assets having physical substance
- Used in the production or supply of goods and services
- Have an economic (useful) life > 1 year
- Used on a continuing basis and not normally for resale
- Meet the minimum threshold value

TCA's are recorded at cost



TCA Exclusions

- TCA below thresholds
- Feasibility studies, business cases, environmental assessments that are not directly related to the acquisition of TCA
- Intangibles (patents, trademarks, copyrights) except for system software
- Natural resources (trees, woodlots)
- Historic and cultural assets (works of art)
- Inventories held for resale (including land)



58% of the capital budget is funded from ARF



The Asset Replacement Fund (ARF) was created in 1998

Goal: to ensure that Newmarket can afford to replace future capital assets as required

Contributions were based on estimated annual contribution requirement – initially 100% for water, wastewater and fire; 50% for other assets (which grew to 100% by 2008)



Asset Replacement Fund

- year end balances



	2013	2014	2015	2016	2017
In \$ millions					
Town	-\$ 17.9	-\$ 20.2	-\$ 21.5	-\$ 20.0	-\$ 18.9
CYFS	- 0.2	- 0.5	- 0.1	- 0.4	- 0.3
Library	1.1	1.1	1.1	1.1	1.2
Tax-supported	-\$ 17.0	-\$ 19.6	-\$ 20.5	-\$ 19.3	-\$ 18.0
Water	\$ 19.2	\$ 20.9	\$ 21.9	\$ 22.9	\$ 24.3
Wastewater	12.3	14.6	17.0	19.1	22.3
Stormwater	n/a	n/a	n/a	n/a	- 0.6
Rate-supported	\$ 31.5	\$ 35.5	\$ 38.9	\$ 42.0	\$ 46.0
TOTAL	\$ 14.5	\$ 15.9	\$ 18.4	\$ 22.7	\$ 28.0



Asset Replacement Fund

- indicators



Capital reserves and reserve funds as a % of accumulated amortization

	2013	2014	2015	2016	2017
Tax-supported	-4%	-7%	-10%	-8%	-10%
Rate-supported	50%	53%	55%	58%	42%
Combined	10%	9%	8%	9%	11%



Asset Replacement Fund - annual contributions



	2013	2014	2015	2016	2017
In \$ millions					
Town	\$ 7.7	\$ 7.8	\$ 8.3	\$ 8.8	\$ 7.8
CYFS	0.6	0.9	0.9	0.9	0.9
Library	0.2	0.2	0.2	0.2	0.2
Tax-supported	\$ 8.5	\$ 8.9	\$ 9.4	\$ 9.9	\$ 8.9
Water	2.6	2.3	2.5	2.7	2.7
Wastewater	2.1	2.7	3.1	3.4	3.7
Stormwater	n/a	n/a	n/a	n/a	0.9
Rate-supported	\$ 4.7	\$ 5.0	\$ 5.6	\$ 6.1	\$ 7.3
TOTAL	\$ 13.2	\$ 13.9	\$ 15.0	\$ 16.0	\$ 16.2



Asset Replacement Fund - indicators



Contributions to capital reserves and reserve funds as a % of amortization expense

	2013	2014	2015	2016	2017
Tax-supported	74%	85%	82%	81%	69%
Rate-supported	99%	94%	113%	212%	244%
Combined	86%	88%	92%	106%	101%



Asset Replacement Fund - current practices



Global fund

- ARF funding is limited to the total balance from all sources
- Tax-supported ARF has borrowed \$31 million from the rate-supported ARF
- Contributes to capital carryovers

2019 Policy Change

- Restricts use of ARF to the capital budget



Implementation of ARF Policy



ARF	2018 budget contributions	Policy changes	Budgetary increases	Draft 2019 contributions
Town	\$ 8,019,000	-\$ 3,842,000	\$ 467,000	\$ 4,644,000
CYFS	1,115,000		200,000	1,315,000
Library	224,000			224,000
Water	3,127,000	- 561,000	49,000	2,615,000
Wastewater	3,941,000	- 1,150,000	1,006,000	3,797,000
Stormwater	341,000		94,000	435,000
	\$16,767,000	-\$ 5,553,000	\$1,816,000	\$13,030,000



Asset Management: Implementation Plan Objectives



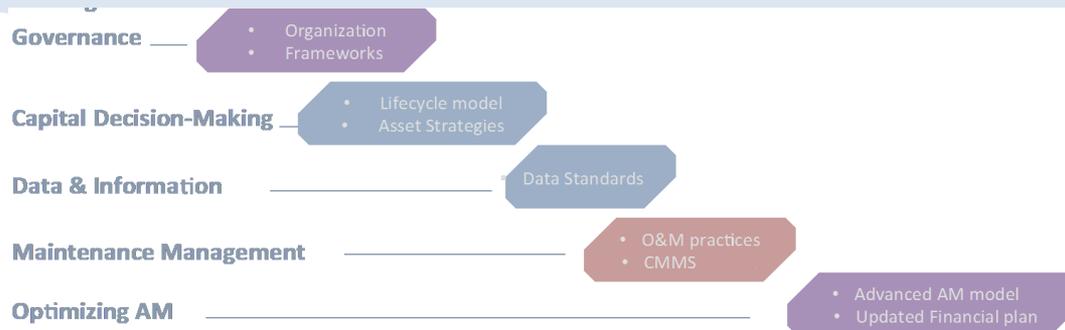
Governance: program oversight and building Town wide asset management frameworks such as risk and levels of service, and building organizational capacity including through skills development

Capital Program Decision-Making: improving the decision-making process for capital spending by developing lifecycle models, incorporating the models into the asset strategy, and linking the planned spending with service levels

Data and Information: improving data and information through development of standards, and integrating technology systems to support the asset management system (program)

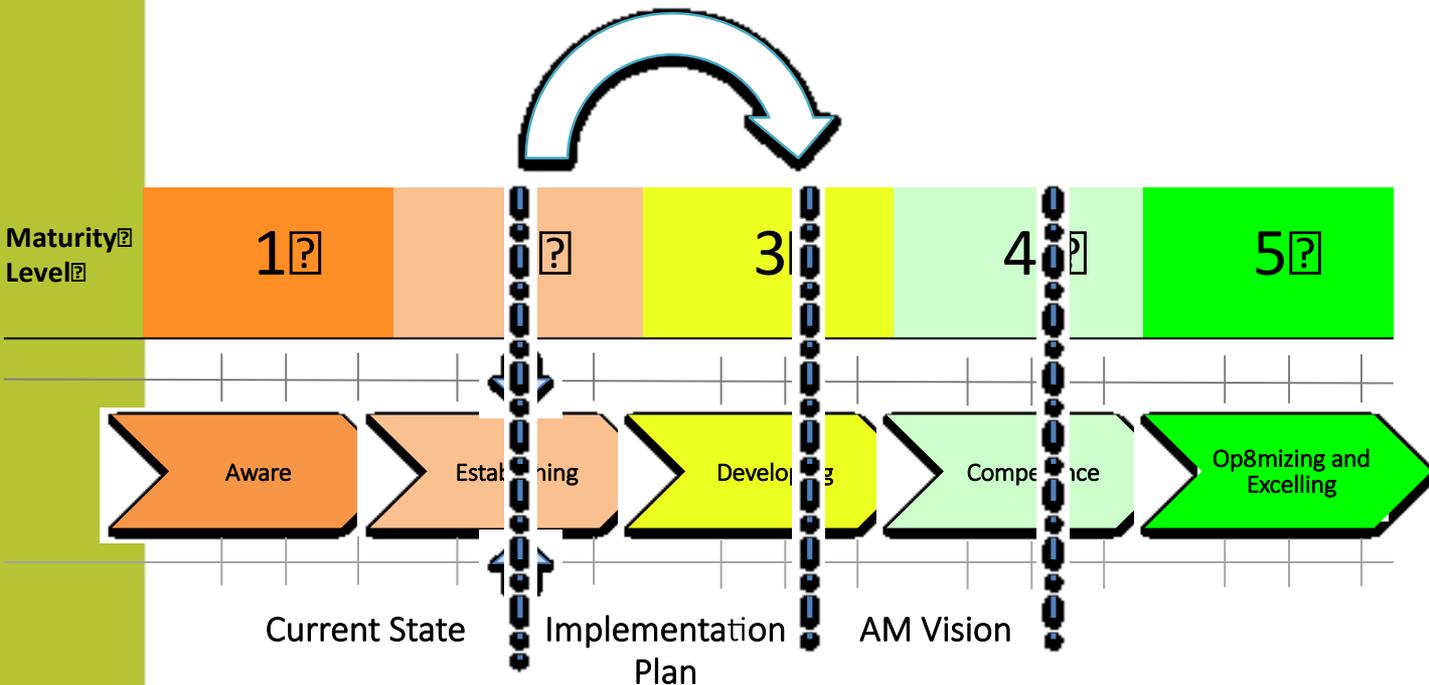
Maintenance Management: improving maintenance practices and implementing a new computerized maintenance management system (CMMS)

Optimizing Asset Management: ongoing works to further advance asset management practices and incorporating results of previous improvements into long-range financial plans including rates and reserves



...Future State

- Financial plans and asset reserves should be driven by the asset strategies identified in the asset management plans.
- Secondly; capital plans for the shorter term (e.g.10 years) should be an outcome of the asset management plan and be linked to the financial plan.



Development Charges



22% of the capital budget
is funded from Development Charges
(DCs)



What are Development Charges



- The principle of development charges is that it helps growth pay for growth.
- Development Charges are regulated by the Development Charges Act.
- In order to have to collect development charges, municipalities need to conduct a study to justify it's rate every 5 years.



What are Development Charges, exactly?



Fees imposed to maintain service levels in the face of growth.

Service levels: Replacement cost of average capital inventory over the past 10 years.

Growth: Net new population and employment moving to the municipality.



DC Funding Envelop



Service Level per Person (\$)

x

Net Population and Employment Growth (#)

= Funding Envelope



What Services Can Development Charges Fund?



- General Government
- Library
- Fire Services
- Recreation
- Yards & Public Works Fleet
- Parking
- Engineered Services
- Waste Collection



What Services Can't Development Charges Fund?



- Cultural and entertainment facilities
- Tourism facilities
- Parkland acquisition
- Hospitals
- Headquarters for general administration
- Landfill sites and solid waste
- Computer equipment
- Rolling stock with a useful life of 7 years or more



Projects are funded on case-by-case basis



Calculations are made for each project ensure that:

- Development charges exclusively pay for growth.
- Municipalities do not double dip.



New Service Facility	
Project Cost	\$10,000,000
Less Grants	\$0
Less Replacement	\$5,000,000
Less 10% Reduction (if applicable)	\$500,000
Less Available DC Reserves (Collected by past DCs)	\$1,000,000
Less Post Period Benefit (Collected by future DCs)	\$0
Total DC Eligible Cost	\$3,500,000



Maximum DC Recovery



Service	Statutory Maximum DC Cost Recovery
General Government	90%
Library	90%
Recreation	90%
Waste Collection	90%
Parking	90%
Fire Services	100%
Yards & Public Works Fleet	100%
Engineered Services	100%



How Growth Pays for Growth



Capital Costs: Development Charges
(Roughly \$6,500,000 per year)

Operating Costs: Assessment Growth
(Roughly \$750,000 year)



Conduct a High Level Asset Management Plan

- Can we afford the ongoing operating cost?



Capital Carryovers

Why?

- Tendering process taking longer
- Slower than expected developer construction progress on new parks development projects
- Delay in regional road work progress within Yonge St. & Davis Dr. corridors
- Staff capacity to deliver capital projects while performing regular operating activities
- Changes in priorities
- Transitioning to multi-year capital budget



Capital Carryovers to 2019 and later years



Year of Budget Approval	# of projects new or carried over to 2018	Completed, cancelled or consolidated in 2018	New or carried over to 2019 and beyond		
			# of projects	2019 cost in \$ millions	2020+ cost in \$ millions
2017 and earlier	209	92	117	\$ 35.1	\$ 4.2
			5	\$ 2.6	
2018	80	18	62	\$ 17.9	\$ 3.0
	289	110	184	\$ 55.6	\$ 7.2
2019 request			68	\$ 27.6	
			252	\$ 83.2	



Rating System

Criteria:

1. Priority - formally defined outside the budget process – up to 9 points
2. Movement towards the desired service level – up to 3 points
3. Business case – economic return on investment – up to 5 points
4. Risk reduction – based on a before/after matrix of probability and consequences – up to 24 points



Budget Updates Corrections



Active Transportation Implementation Plan - Harry Walker Parkway (ENG4)

- Shown as \$40,000 funded by DC`s
- Should be \$200,000
 - \$40,000 from DC`s
 - \$160,000 from grants

Fleet Replacements (Road3) has been reviewed and modified

- Was \$2,404,000 funded from ARF
- Reduced to \$1,650,000



CYFS7	Replacement of Light Vehicle 11-17 (CH 46)	\$ 60,000	CYFS ARF	20
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Fire's capital program is derived from multi-year plans – their Asset Management Plan and DC background study

CYFS projects are 40.65% funded by the Town of Aurora



Revised 2019 New Capital Budget Requests



Sources of Funding	ARF	DC's	General	Other	Total	% of Total
In \$ millions						
Replacement	\$ 13.9	\$ 0.2	\$ 0.2	\$ 3.3	\$ 17.6	64%
Growth	2.1	5.9	0.4	1.2	9.6	35%
Other	0.1		0.2	0.1	0.4	1%
Total	\$ 16.1	\$ 6.1	\$ 0.8	\$ 4.6	\$ 27.6	100%



Items for reconsideration submitted by Council Members



No.	Project	Gross cost	Funding	Rating
Projects that can be fully funded				
PARK2	Tree Canopy Increased Planting	\$ 90,000	Reserves	17
PARK19	Riverwalk Commons Lighting Features	\$ 55,000	ARF	15
ROAD8	Kingdale Road Shoulder Rehabilitation	\$ 70,000	ARF	19
WW1	Mobile Water Filling Station - Quench Buggy	\$ 45,000	Water rates	15



Items for reconsideration submitted by Council Members



No.	Project	Gross cost	Funding	Rating
Cost recovery over time				
PLN8	Electric Vehicle Charging Station Network	\$ 63,000	Revenue	16
Potential tax impact				
IT11	Analytics for Trails & Soofa Benches	\$ 12,000	Taxes	12
PARK12	Paving of Limestone Walkways at Ken Sturgeon Park	\$ 125,000	DC's & Taxes	10
RCFAC5	Sports Hall of Fame Expansion	\$ 25,000	Taxes	12



Next Steps

- January 29 – Revised Draft Capital List
- February 4 – Operating Budget to CoW
- February 25 – Draft Budget to CoW
- March 4 - Target date for Budget Approval
- Q2 - DC Background Study and Update
- Q2 - Asset Management Workshop
- September - ARF Strategy for reconsideration

