2020 Capital and Rate-supported Budgets

Presenter: Mike Mayes

Date: October 28, 2019

Today's Objectives

Further to October 15 budget process update:

- Provide details of the Preliminary Draft Budget for:
  - Rate-supported Operations
  - Capital
- Addresses the identified challenges
- Initiates Council deliberations

Results will be consolidated with tax-supported budget into the draft budget for November 25



Rate-supported Budget targets are based on their 6-year plans

- Water / wastewater - 4.9% or $60 for an average residential property
- Stormwater - 10.9% or $4 for an average residential property
- Building is an exception, has no 6-year plan, but does have a healthy reserve fund



Water and wastewater rates are on target

	2019 budget	2020 budget	6-year plan	Variance
Rate increase	**5.1 %**	**4.9 %**	**4.9 %**	**-**
Revenue	$ 40,597,000	$ 42,265,000	$ 42,869,000	- $ 604,000
Expenses	33,429,000	35,276,000	35,369,000	93,000
ARF	6,331,000	6,660,000	6,660,000	0
	$ 837,000	**$ 329,000**	**$ 840,000**	**- $ 511,000**



Water and wastewater reserve funds are healthy

	2019 budget	2020 budget
Asset Replacement Fund balance	$ 56 million	$ 60 million
Asset Replacement Fund as a % of accumulated amortization Target is 100%	49 %	52 %
Rate Stabilization Reserve	$ 2.9 million	$ 3.2 million
Rate Stabilization Reserve as a % of annual revenue Target is 5 to 10%	7.1 %	7.6%



Water rates are moving to the Regional average

Year	Newmarket	York Region average	% above
Based on average annual residential use – 200 cubic metres			
2014	$ 914	$ 741	23.3 %
2015	$ 967	$ 804	20.3 %
2016	$ 1030	$ 879	17.2 %
2017	$ 1090	$ 949	14.9 %
2018	$ 1157	$ 1019	13.5 %
2019	$ 1216	*$ 1089*	*11.7 %*
2020	$ 1276	*$ 1159*	*10.1 %*

Italicized Figures are Projections



Building division maintains a healthy reserve fund balance

	2019 budget	2020 budget	Change
Rate increase	**0.0 %**	**0.0 %**	
Revenue	$ 1,680,000	$ 1,680,000	$ 0
Expenses	2,694,000	2,747,000	53,000
	- $ 1,014,000	- $ 1,067,000	- $ 53,000
Projected reserve fund	**$ 4,464,000**	**$ 3,397,000**	
Reserve fund as a % of annual expenses Target is 100 to 150%	**166%**	**124%**	



Stormwater rates can be on target . . .

	2019 budget	2020 budget	6-year plan	Variance
Rate increase	**11.8 %**	**10.9 %**	**10.9 %**	**-**
Revenue	$ 2,070,000	$ 2,141,000	$ 2,295,000	- $ 154,000
Expenses	1,625,000	1,624,000	957,000	- 667,000
ARF	435,000	491,000	1,312,000	821,000
	$ 10,000	**$ 26,000**	**$ 26,000**	**$ 0**



Stormwater reserve funds will be maintained . . .

	2019 budget	2020 budget
Asset Replacement Fund balance	$ 199,000	$ 190,000
Asset Replacement Fund as a % of accumulated amortization Target is 100%	0.3 %	0.3 %
Rate Stabilization Reserve	$ 200,000	$ 226,000
Rate Stabilization Reserve as a % of annual revenue Target is 5 to 10%	9.7 %	9.8 %



. . . But some Stormwater projects will need to be deferred

Rates are challenged to meet capital requests. Options considered were:

1. Defer projects
2. Borrow funds on an interim basis
3. Increase stormwater rates
4. A combination of these options

Option 1 is recommended for the 2020 budget. Next year's update of the 6-year plan will integrate rate, capital and new fiscal strategies.



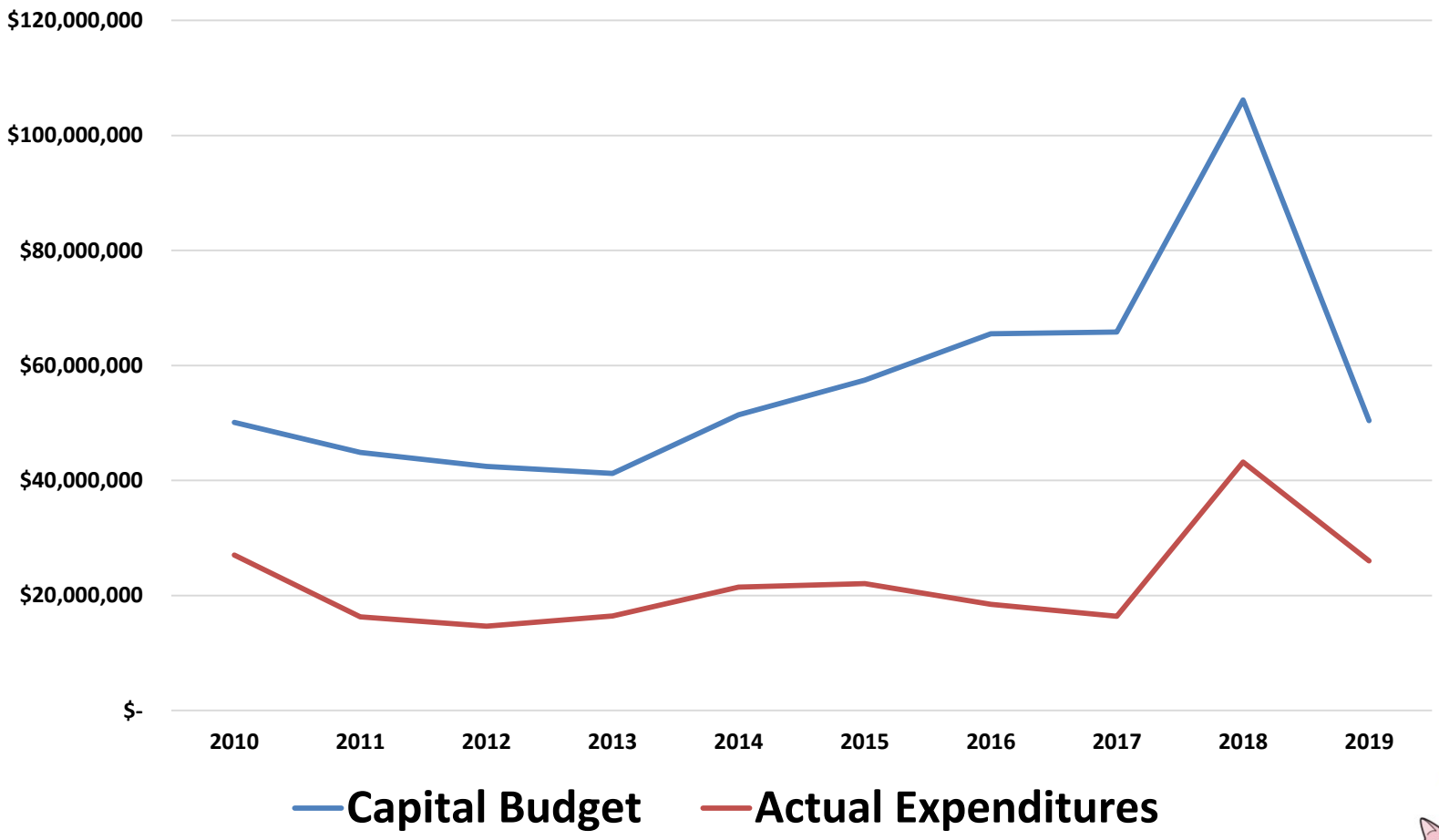
The Capital Budget has significant challenges

1. Carryovers, funded projects approved by Council but not completed, are projected to total $60 million at the end of 2019

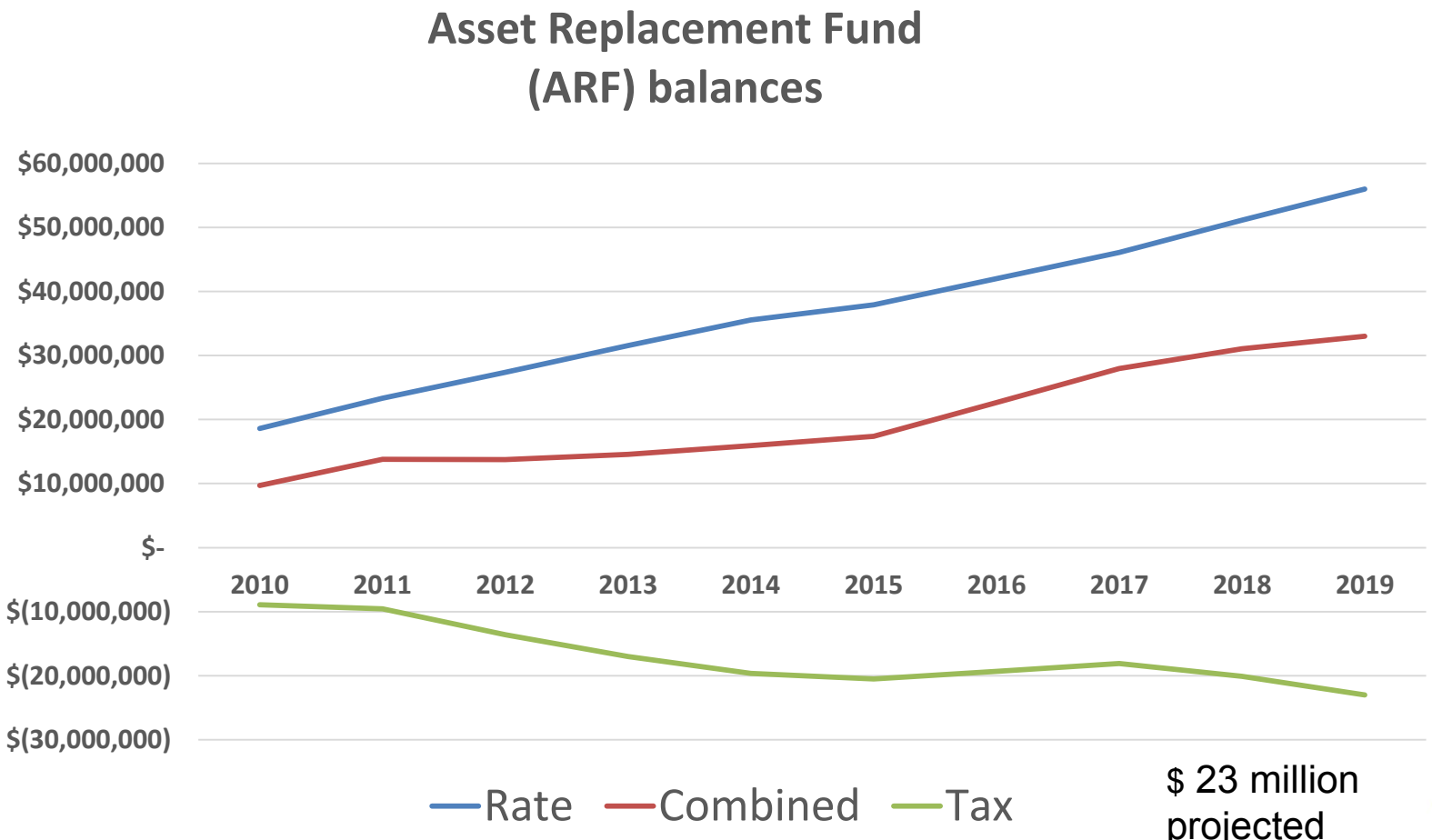
2. Although the overall Asset Replacement Fund is projected to be $33 million at the end of 2019, the tax-supported ARF will have a $23 million deficit



Capital carryovers result when expenditures are below budget



The tax-supported ARF is in a deficit



$ 23 million projected

Restrictions were applied to the 2020 capital budget

1. Capital program is to be achievable – elimination of capital carryovers
2. No increase in the tax-supported ARF deficit
3. Any increases in ARF contributions to be applied to the fund, not to capital projects
4. Conserve additional Gas Tax payments received in 2019 for strategic purposes
5. No new debt



A new financial strategy will be presented to Council in 2020

It will include and impact:

- New and existing Financial Policies
- ARF (Asset Replacement Fund) Strategy
- Multi-year capital plans

REV It Up results may inform this process

Timeline: May/June 2020



Projection shows $60 million in capital carryovers from 2019

Capital carryovers from 2018	$ 58 million
2019 new requests approved	$ 28 million
	$ 86 million
Projected 2019 capital expenditures	$ 26 million
Capital carryovers from 2019	**$ 60 million**

Capital carryovers are projects that have Council approved budgets and have not been completed by the end of the year, i.e. expenditures less than budget.



New approach:
New terminology

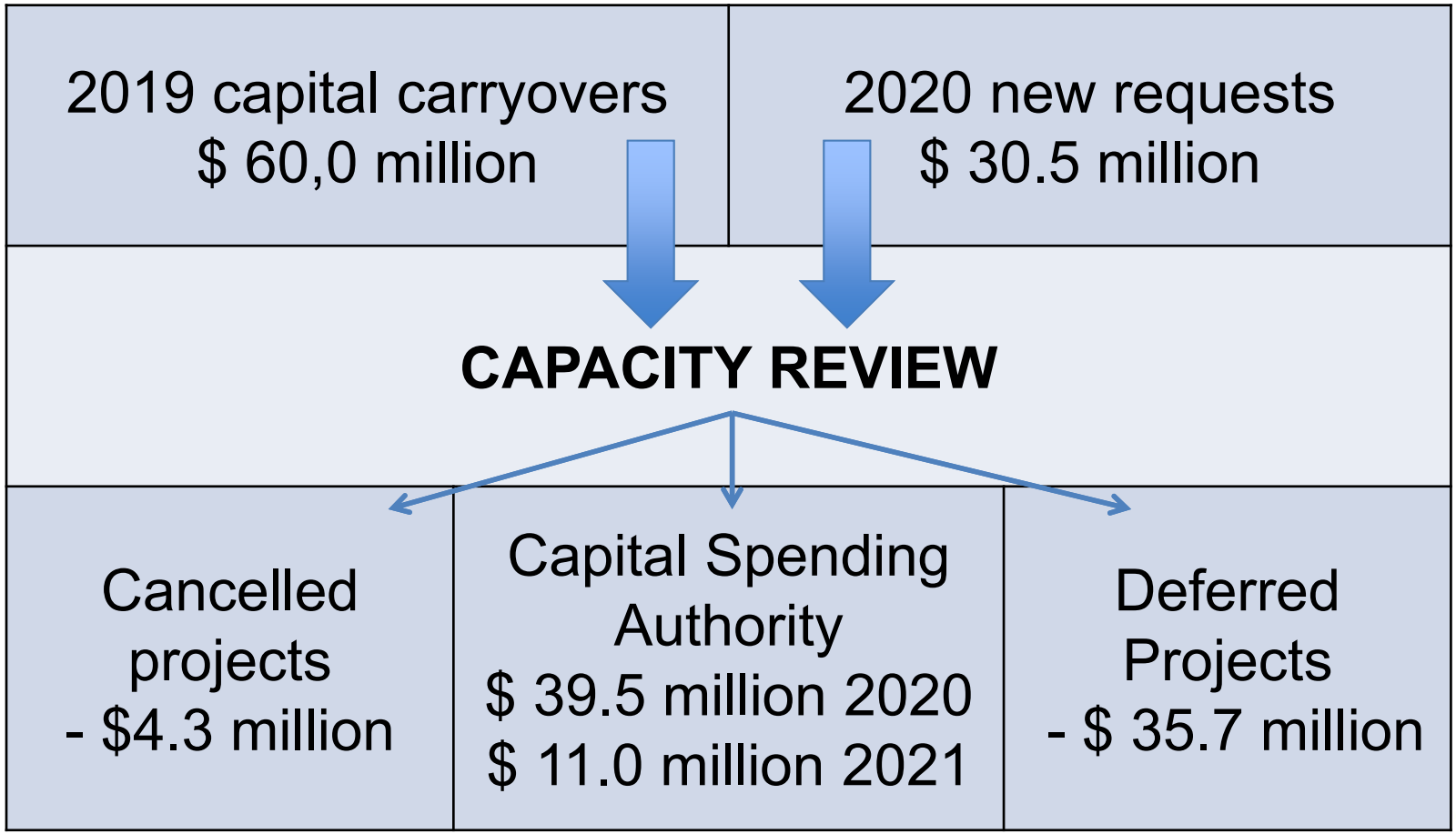
Capital Budget – Council's overall approval of capital expenditures with required funding for an individual year, the focus is on total $

Capital Spending Authority (CSA) – total of all capital budgets approved by Council – may span more than one year

Capital Program – the list of projects that constitute the Capital Budget and CSA – the focus is on service delivery



A capacity review re-sorted and re-prioritized capital requests



Overview of capital budget re-sorted and re-prioritized

	New Requests	Carry-overs	Total
In $ millions			
Category total	30.5	60.0	90.5
Cancelled	- 0.3	- 4.0	- 4.3
Deferred	- 21.2	- 14.5	- 35.7
Capital Spending Authority	**9.0**	**41.5**	**50.5**
2020	8.2	31.3	39.5
2021	0.8	10.2	11.0



There are major projects in the Capital Spending Authority

	2020	2021	Total
	In $ millions		
Fire station 4-5	6.2	6.2	12.4
Other fire capital	4.4		4.4
Water meters	4.8	4.8	9.6
Parks development	1.3		1.3
	16.7	**11.0**	**27.7**
Other projects	22.8		22.8
Total	**39.5**	**11.0**	**50.5**



$22.8 million for other projects should be achievable

Year	Actual expenditures in millions
2010	$ 27.0
2011	$ 16.3
2012	$ 14.7
2013	$ 16.4
2014	$ 21.4
2015	$ 22.1
2016	$ 18.5
2017	$ 16.4
2018 (w/o Mulock Farm)	$ 17.2
2019 forecast	$ 26.0
average	**$ 19.6**



There is adequate funding for the 2020 capital budget

	New requests	Carryovers	Total
	In $ millions		
Asset Replacement Funds:			
Tax-supported	2.22	5.60	7.82
Water/wastewater	2.10	1.10	3.20
Stormwater	0.50	0.40	0.90
DC's	1.70	12.99	14.69
General	0.29	0.16	0.45
Reserves	0.00	1.12	1.12
Gas Tax	1.30	5.16	6.46
Other	0.04	4.82	4.86
Total	**8.15**	**31.35**	**39.50**



Procedural changes are being introduced for 2020

- Capacity reviews of the capital program
  - Operational and financial capacity
- Projects to be “tender ready”
- Regular reporting
  - Tracking progress and modifying the program as required while remaining within the approved annual budget



2020 Budget Schedule

ACTIVITY	DATE	MEETING	STATUS
Recommendations for 2019 budget process - schedule, targets, community engagement	April 29	Committee of the Whole	Done
Community Engagement Phase 1	July to October	-	Done
Fees & Charges for early approval – licensing, recreation	June 17	Committee of the Whole	Date changed
Approval of early Fees & Charges	June 24	Council	
Presentation of the Preliminary Draft budgets	October 15	Committee of the Whole	Done



2020 Budget Schedule

ACTIVITY	DATE	MEETING	STATUS
Community Engagement Phase 2	October to November	-	In process
Consideration of the Capital and Rate-supported Budgets	October 28	Special Committee of the Whole	In process
Consideration of the Tax-supported Operating Budget	November 11	Special Committee of the Whole	
Presentation of the Draft Budgets and remaining Fees & Charges for approval	November 25	Committee of the Whole	
Approval of the Budgets and remaining Fees & Charges	December 2	Council	

