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2021 Preliminary Draft Capital Budget Staff Report to Council

Report Number: 2020-79

Department(s): Financial Services

Author(s): Mike Mayes, Director, Financial Services/Treasurer

Meeting Date: October 19, 2020

Recommendations

1. That the report entitled 2021 Preliminary Draft Capital Budget dated October 19, 2020 be received; and,
2. That subject to any additional direction from Committee, that the proposed Capital Budget be incorporated into the Draft Budgets to be presented to Committee of the Whole on December 7, 2020; and,
3. That the proposed list of Capital Projects be included in the Capital Program for 2021, subject to changes that may be made by Council during the year; and,
4. That the Treasurer be authorized and directed to do all things necessary to give effect to these recommendations.

Executive Summary

The Capital Budget provides for \$37.9 million in expenditures in 2021. This consists of a \$34.9 million Capital Program - projects to be delivered in 2021, and a \$3 million provision for additional projects to be added.

There is both operational and financial capacity to deliver the recommended Capital Program.

Wherever possible, Fiscal Strategy recommendations have been implemented.

Purpose

The purpose of this report is to obtain Council's direction on the overall Capital Budget and the inclusion of specific projects included in the Capital program.

Background

[Report 2020-35, 2021 Budget Process and Target](#) set out the structure for the Capital Budget and Program.

The Preliminary 2021 Draft Budgets were presented on October 5, 2020 as a starting point for community consultation and Council consideration.

Updates

Appendix "A" is a summary of the projects included in the proposed 2021 Capital Program. This includes new projects – Appendix B, additions to the Capital Program, and expenditures deferred from 2020.

Correction: The previous project listing did not include CYFS 3 - \$750,000 for the replacement of a fire truck (06-15). This had been included in the original submission but was not included in the summary and now has been corrected.

Budgeting in a COVID-19 world

The COVID-19 pandemic has affected the delivery of the 2020 Capital Program. As a result, Council authorized the deferral of \$ 6,726,000 in capital expenditures to 2021 (see [Report 2020-62, Financial Update of August 24, 2020](#)).

The CYFS capital budget has been reviewed by JCC

The Newmarket / Aurora Joint Council Committee (JCC) met on October 13, 2020 to review and make recommendations on the Central York Fire Services (CYFS) budgets. No changes were made to the capital budget submission.

Discussion

THE CAPITAL BUDGET FITS WITHIN OUR OPERATIONAL CAPACITY

There is a limit on what the Town's dedicated capital project staff in Engineering, Public Works and Procurement can reasonably manage in a year. To recognize this, a limit of \$20 million has been applied to the Standard portion of the Capital Program.

Major items require minimal effort from dedicated capital project staff. They either involve other staff (such as Fire Station 4-5 being managed by Aurora staff) or have a very high expenditure to staff effort ratio (such as the Advanced Metering project). These projects do not impede delivery of the Capital Program.

The 2021 Capital Budget and Capital Program

	Standard	Major	Total
	In \$ millions		
Additions in 2021	\$ 13.7	\$ 1.7	\$ 15.4
Approved in 2020	3.3	16.2	19.5
Program	\$ 17.0	\$ 17.9	\$ 34.9
Unallocated	3.0		3.0
Budget	\$ 20.0	\$ 17.9	\$ 37.9

Program - Appendix “A” lists all of the projects that are currently included in the Capital Program. It has the Decision Package details for each one. During the year, as projects are delayed, priorities change, or opportunities arise Council may add or remove projects from the Program.

Additions in 2021 are new projects and are listed in Appendix “B”.

Approved in 2021 includes \$12.7 allocated to 2021 during the 2020 budget process (see [Report 2020-35, 2021 Budget Process and Target](#)) and \$6.7 million deferred from 2020 (see [Report 2020-62, Financial Update](#)).

Budget is the overall funding envelope, which includes the *Program* and an *Unallocated* provision for Council to add more Standard projects while remaining within the Operational Capacity.

Capital Program by Department

Area	Standard	Major	Total
(In \$ millions)			
CYFS	\$ 0.6	\$ 9.6	\$ 10.2
Engineering - capital projects	8.8		8.8
Engineering - transportation	0.4		0.4
IT	0.8		0.8
Library	0.2		0.2
Public Works – Facilities	0.8		0.8
Public Works – Parks	1.0		1.0
Public Works – Roads	3.7		3.7
Stormwater	0.1		0.1
Water / wastewater	0.3	8.3	8.6
Other	0.3		0.3
	\$ 17.0	\$ 17.9	\$ 34.9

THE CAPITAL BUDGET FITS WITHIN OUR FINANCIAL CAPACITY

Capital Program Funding by Category

	ARF	DC	General	Other	Total
(in \$ millions)					
Mandatory	\$ 2.3	\$ 0.1	\$ 0.0	\$ 0.3	\$ 2.7
Replacement	9.2	1.2	0.1	10.8	21.3
Growth	1.1	6.0	0.1	3.2	10.4
Service Level Change				0.5	0.5
	\$ 12.6	\$ 7.3	\$ 0.2	\$ 14.8	\$ 34.9

The Capital Program is primarily to meet Replacement (61%) and Growth (30%) requirements.

The Asset Replacement Fund (ARF) is the primary funding source (36%) followed by Development Charges (DC) (20%).

Others include:

- \$8.3 million from Water and Wastewater Reserves for the Advanced Metering project – funding from additional revenues and savings
- \$1 million from other reserves and reserve funds
- \$2.5 million from the 2021 Federal Gas Tax allocation

- \$2.5 million from the Town of Aurora – their share of DC's for Fire Station 4-5

Conclusion

Upcoming dates:

- November 9 – Special Committee of the Whole meeting dedicated to review the Tax-Supported Operating Budget and the Fiscal Strategy
- December 7 – Committee of the Whole - Presentation of the Draft Budgets and remaining fees & charges for approval
- December 14 – this is the target date for approval of the 2021 budget and remaining fees & charges

Council may choose to extend this time for further deliberations.

There will also be opportunities for Councillors to meet with or to obtain additional information from the Treasurer or other Members of Staff.

Business Plan and Strategic Plan Linkages

Consideration has been given to the recommendations of the Fiscal Strategy:

- Council approval of Capital Spending Authority in the budget should constitute the authority to spend on a capital project, and approval of both the annual capital budget and Capital Spending Authority each year
- Capital carryovers should be eliminated (achieved in the 2020 budget process but needs to be continued)
- The capital budget should include breakdowns of growth versus rehabilitation
- The budget process should include an analysis of the factors affecting capital priority setting and a discussion of the rationale for the capital projects selected for both Capital Spending Authority and the Ten-year Plan
- The capital budget overview should include both a departmental and a functional/sectoral breakdown

Consultation

This report builds on the presentation of the Preliminary Draft Budgets to Committee of the Whole on October 5, 2020. At the time of writing this report, there have been no comments or questions submitted on the Capital Budget.

Human Resource Considerations

Not applicable to this report.

Budget Impact

The Capital Budget of \$37.9 million provides some flexibility by allowing \$6.7 million for projects deferred from 2020 and the inclusion of new priorities that may arise during the year.

The proposed Capital Program would impact the Operating budgets:

- \$16,550 in net savings for the Tax-Supported Budget
- \$67,500 in annual expenses to be funded from Growth

These will be included in the Tax-Supported Operating Budget on November 9, 2020.

Attachments

Appendix A – 2021 Capital Program Summary

Appendix B – Additions to the Capital Program

Approval

Mike Mayes, CPA, CGA, DPA
Director of Financial Services

Esther Armchuk, LL.B
Commissioner, Corporate Services

Contact

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