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2024 Preliminary Draft Capital and Rate-Supported Operating Budgets Staff Report to Council

Report Number: Report Number to be Assigned by Legislative Services

Department(s): Financial Services

Author(s): Andrea Tang, Manager, Finance & Accounting / Deputy Treasurer

Meeting Date: October 23, 2023

Recommendations

1. That the report entitled 2024 Preliminary Draft Capital and Rate-Supported Operating Budgets dated October 23, 2023 be received; and,
2. That subject to any additional direction from Committee, the proposed Capital Budget be incorporated into the Draft Budgets to be presented to Committee of the Whole on December 4, 2023; and
3. That the proposed list of Capital Projects be included in the Capital Program for 2024, subject to changes that may be made by Council during the year; and
4. That subject to any additional direction from Committee, the proposed Rate-Supported Operating Budgets be incorporated into the Draft Budgets to be presented to Committee of the Whole on December 4, 2023; and
5. That Staff be authorized and directed to do all things necessary to give effect to this resolution.

Executive Summary

The preliminary draft Capital Budget is developed with consideration for funding capacity and capacity to deliver the proposed capital program. The 2024 preliminary draft capital budget is \$70,506,000, comprised of the standard program at \$34,706,000 and major projects at \$35,800,000. The standard program is established with consideration on

resource capacity to deliver the capital program in 2024. Major projects, such as Mulock Park, do not impede delivery of the standard program as major projects are managed by dedicated staff.

The rate-supported operating budgets are developed based on Council's decision on the 2023 Water, Wastewater and Stormwater Ten-Year Financial Plans.

Recommendations from the Fiscal Strategy have been implemented, where applicable, such as integration of Asset Management and Capital Budget.

Purpose

The purpose of this report is to obtain Council approval on the overall Capital Budget, including specific projects in the capital program, and rate-supported operating budgets for Water, Wastewater, Stormwater and Building Services.

Background

Capital Budget

The Capital Spending Authority (CSA) is the total of all capital expenditures approved by Council and may span more than one year. Due to the resource capacity and timelines for design and project delivery, some capital projects take longer than one year to be completed.

The Capital Spending authority for future years would ensure continuity and financial stability to complete projects that span more than one year.

The 2023 approved CSA for 2024 is the starting point for developing the 2024 capital budget. As well, the Asset Management Plan and Development Charge (DC) Background Study are also taken into consideration.

Central York Fire Services (CYFS) Joint Council Committee (JCC) recommended the proposed 2024 CYFS budget at the October 3, 2023 JCC meeting. Aurora Council will review the proposed budget at a future Council meeting (date to be confirmed).

The Newmarket Library Board has endorsed the 2024 capital projects being brought forward for consideration.

Rate-Supported Operating Budgets

The rate-supported operating budgets for water, wastewater and stormwater are based on Council's decision on the report [2023 Water, Wastewater and Stormwater 10-Year Financial Plans - Options](#) tabled at the October 2, 2023 Committee of the Whole (CoW) meeting.

Council decision is to implement an annual uniform increase of 3.5% for water and wastewater from 2024 to 2033, and to adopt a hybrid approach to phase-in the one-time increase option over three years for stormwater.

The 2023 Water, Wastewater and Stormwater Ten-Year Financial Plans will be updated accordingly. The financial plans will be tabled at the November 13, 2023 CoW.

Discussion

This report will provide details on the 2024 preliminary draft capital and rate-supported operating budgets for Water, Wastewater, Stormwater and Building Services.

Capital Budget

The capital budget funds the purchase, construction and financing of tangible capital assets (TCA) for infrastructure, land, buildings, machinery, equipment and other assets. It also provides funding source for major corporate studies.

The capital budget will continue to be separated according to major funding sources. Capital requests will be subject to the availability of funding and resource capacity.

To align with the recommendation from the Fiscal Strategy to incorporate Asset Management in the annual capital budget process, the Corporate Asset Management Office (CAMO) is now responsible for the Town's capital planning and asset condition assessments. This will further enhance the integration of asset management strategies with capital planning.

As part of the 2023 Budget process, Council approved 2024 CSA of \$64,326,000 (Appendix B - standard program at \$35,614,000 and Appendix E - major projects at \$28,712,000) in order to ensure continuity and funding stability for 2023 approved projects that require more than a year to complete.

Through a review of the 2023 capital program delivery, it has been identified that some of the 2023 approved projects will not be completed by year-end. Therefore, a portion of the 2023 approved budget totaling \$12,357,000 will be transferred to the 2024 (\$10,077,000), 2025 and future years' budgets (\$2,280,000) in order for these projects to continue beyond 2023. (Appendix A for further details)

On the other hand, there is capacity to deliver more under the 2023 Municipal Infrastructure Program. To provide the necessary funding of \$7,000,000 for the additional work in 2023, it will require an acceleration of the 2024 CSA to the 2023 capital program. (Appendix B for further details)

The revised capital delivery timelines will also have an impact on the previously approved 2024 CSA. The previously approved 2024 CSA of \$35,614,000 is now reallocated over the years from 2023 to 2026 (2023: \$7,000,000, 2024: \$13,395,000,

2025: \$15,044,000, and one cancelled program upon further review \$175,000).
(Appendix B for further details)

In addition, there are new 2024 requests for consideration totaling \$11,234,000.
(Appendix C for further details)

For major projects, \$14,700,000 will be included in the 2024 capital budget due to revised capital delivery timelines from the 2023 approved major projects. (Appendix D for further details)

Similar to the standard program, Council approved 2024 CSA of \$28,712,000 for major projects as part of the 2023 Budget process. \$7,612,000 of the approved 2024 CSA will be deferred to 2025. (Appendix E for further details)

Below is a summary of the above changes to the 2024 CSA that brings the preliminary draft 2024 capital budget to \$70,506,000. (Appendix F for the full listing of the proposed 2024 capital projects)

	Standard	Major	Total
Approved 2024	\$35,614,000	\$28,712,000	\$64,326,000
2023 projects not completed in 2023, shift in project timeline - to be continued in 2024 (See Appendix A - Standard) (See Appendix D – Major)	10,077,000	14,700,000	24,777,000
2024 pre-approved capital spending accelerated to 2023 (See Appendix B)	(7,000,000)		(7,000,000)
2024 pre-approved capital spending deferred to 2025 and cancelled project (See Appendix B - Standard) (See Appendix E – Major)	(15,219,000)	(7,612,000)	(22,831,000)
2024 new requests (See Appendix C)	11,234,000		11,234,000
Revised 2024 CSA (See Appendix F)	\$34,706,000	\$35,800,000	\$70,506,000

Breakdown of the funding sources is outlined in the chart below. (Appendix F for full listing of the 2024 Capital Projects)

Type	ARF \$	DC \$	Other Reserve & Reserve Funds \$	Grant \$	Total \$
Replacement	16,293,500		5,500,000	3,232,000	25,025,500
Growth		31,450,000	0	1,800,000	33,250,000
Other			8,580,500	3,650,000	12,230,500
Total	16,293,500	31,450,000	14,080,500	8,682,000	70,506,000

The proposed 2024 capital program will have an incremental operating budget impact of \$35,000 that will be incorporated into the respective operating budgets.

CSA for 2025 and future years will be as follows:

	Standard	Major	Total
Approved 2025 and future years CSA (2023 Budget)	\$8,580,000	\$18,300,000	\$26,880,000
2023 projects not completed in 2023, shift in project timeline - to be continued in 2025 (See Appendix A - Standard) (See Appendix D – Major)	2,280,000	5,846,700	8,126,700
2024 pre-approved capital spending deferred to 2025 (See Appendix B - Standard) (See Appendix E – Major)	15,044,000	7,612,000	22,656,000
2024 new requests that require funding in 2025 to continue the project (See Appendix C)	7,856,000		7,856,000
Revised 2025 and future years CSA	\$33,760,000	\$31,758,700	\$65,518,700

2024 Rate-Supported Operating Budgets

A. Water & Wastewater

The 2024 water and wastewater rate accounts for the following:

- Region's increase of 3.3% for water purchases and wastewater treatment services
- Requirements to support day-to-day operations
- Contribution to ARF for asset replacements
- Capital inflation supplement resulted from price increases in 2021 and 2022

Below outlines the preliminary draft 2024 Water & Wastewater Operating Budget

	Water \$	Wastewater \$	Total \$
Revenues	\$22,098,961	\$25,834,649	\$47,933,610
Expenditures			
Regional Costs	11,098,535	16,919,387	28,017,922
Operating Costs	5,404,481	1,550,063	6,954,544
Support Costs	1,329,587	1,222,000	2,551,587
Contribution to ARF	4,300,000	4,600,000	8,900,000
Transfer to Reserve	-33,642	1,543,199	1,509,557
Total Expenditures	\$22,098,961	\$25,834,649	\$47,933,610
Net	\$0	\$0	\$0

Based on an annual consumption of 200 cubic metres, the 2024 annual increase is \$48.

B. Stormwater

The 2024 stormwater rate accounts for expenditures such as wages and benefits, CCTV program, catch basin cleaning and maintenance on stormwater ponds, and contribution to ARF for asset replacements and capital inflation supplement.

Below outlines the preliminary draft 2024 Stormwater Operating Budget:

	Stormwater \$
Revenues	\$9,598,690
Expenditures	
Operating Costs	1,445,824
Support Costs	224,870
Contribution to ARF	6,900,000
Transfer to Reserve	1,027,996
Total Expenditures	\$9,598,690
Net	\$0

Based on a 465 square metre lot, the 2024 annual increase will be \$125.

C. Building Services

The Development Application Approval Process (DAAP) is currently under review. Results of the review will be tabled at a future CoW meeting. The 2024 preliminary draft operating budget for building services is as follows, subject to change pending finalization of the DAAP review:

	Building Services \$
Revenues	\$2,045,471
Expenditures	
Operating Costs	2,299,764
Support Costs	637,799
Draw from Reserve	(\$892,092)
Total Expenditures	\$2,045,471
Net	\$0

It is anticipated that 2024 will be another year with low development activity. As such, the preliminary draft 2024 budget is projecting a deficit of \$892,000 which will require a

draw from the Building reserve. With low building activity over the past years, it is anticipated that the Building reserve will be in a deficit position in 2024. Further adjustments may be made pending results of the DAAP review.

Conclusion

Upcoming dates:

- November 13 – Special Committee of the Whole meeting – Review of the Tax-Supported Operating Budget; and
- December 4 – Committee of the Whole - Presentation of the Draft 2024 Budgets and fees & charges; and
- December 13 – Council - this is the target date for approval of the 2024 Budgets and 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

The preliminary draft 2024 budgets are developed to align with Council’s core value on financial sustainability.

The 2024 capital budget takes into consideration of the Asset Management Plan and the DC Background Study. CAMO is responsible for capital planning and asset condition assessments. This will further integrate asset management strategies with capital planning and budgeting.

The rate-supported operating budgets for water, wastewater and stormwater includes increased contribution to ARF.

Consultation

All members of the Strategic Leadership Team (SLT) and Operational Leadership Team (OLT) have been consulted throughout the process.

The Corporate Communications department was consulted in the development and implementation of community engagement throughout the budget process.

Human Resource Considerations

Not applicable.

Budget Impact

The proposed Capital Program will impact the Operating budget with additional annual expenditures of \$35,000. These will be included in the Tax-Supported Operating Budget to be presented at the November 13, 2023 Special Committee of the Whole meeting.

Attachments

Appendix A – Standard Program – 2023 Approved Capital Transfers to 2024 and 2025

Appendix B – Standard Program – 2024 Capital Spending Authority Reallocation

Appendix C – Standard Program – 2024 New Capital Requests

Appendix D – Major Projects – 2023 Approved Capital Transfers to 2024 and 2025

Appendix E – Major Projects – 2024 Capital Spending Authority Reallocation

Appendix F – 2024 Capital Budget

Approval

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Contact

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