



REPORT

REPORT TO: The Chair and Members of the Budget Committee

REPORT FROM: Wendy O'Donnell CPA, CGA, Manager of Finance

DATE: November 21, 2014

REPORT NO.: CS-2015-0001

RE: 2015 Capital Budget and 2016 to 2024 Capital Budget Forecast
File No.: F05/BU

RECOMMENDATION:

THAT Report No. CS-2015-0001 dated November 21, 2014 regarding the 2015 Capital Budget and 2016-2024 Capital Budget Forecast be received;

AND FURTHER THAT the 2015 Capital Budget in the amount of \$10,593,100 be approved;

AND FURTHER THAT the 2016-2024 Capital Forecast in the amount of \$115,460,400 be approved in principle subject to the annual review;

AND FURTHER THAT staff be authorized to proceed with the 2015 capital program, with any acquisitions or approval of awards being subject to the usual Town policies, by-laws and procedures governing same and receipt of final approval by Council where required.

BACKGROUND:

The 2015 Capital Budget was developed based on a corporate approach. Staff developed the capital budget by reviewing various documents such as the Town's Strategic Plan, the Corporate Workplan, in-year Council and Committee reports and the Long Range Financial Plan (LRFP). Senior Management subsequently ranked each project from 2015 to 2024 based on the corporate ranking system (Appendix A). Senior Management also looked at available funding to ensure that the Town's capital program is financially sustainable in both the short- and long-term as the capital budget and forecast is based on a fully funded model.

For the proposed 2015 Capital Budget, staff has provided details, including pictures of those projects that fall within the funding guidelines.

COMMENTS:

The Senior Management Team has met on several occasions to corporately discuss and rank the proposed Capital Budget and Forecast. During the discussions, amendments were made and are reflected in the budgets as presented.

The following table summarizes the proposed 2015 capital program; this program falls within the funding guidelines:

Town of Halton Hills
Proposed 2015 Capital Budget
Projects Within Funding Guidelines

Department	Gross Cost	Development Charges	Capital Reserve	Other
COUNCIL	72,000		36,000	36,000
OFFICE OF THE CAO	75,000		75,000	
CORPORATE SERVICES	531,000		106,000	425,000
INFRASTRUCTURE SERVICES	6,645,000	90,000	1,692,000	4,863,000
FIRE SERVICES	605,000	12,000		593,000
PLANNING	274,100	69,000	190,100	15,000
RECREATION AND PARKS	2,067,000	317,000	1,193,000	557,000
LIBRARY	324,000		324,000	
Total	10,593,100	488,000	3,616,100	6,489,000

The following table highlights the five largest dollar projects scheduled for 2015. These projects total \$5,159,000 which equates to 49% of the total proposed 2015 Capital Budget.

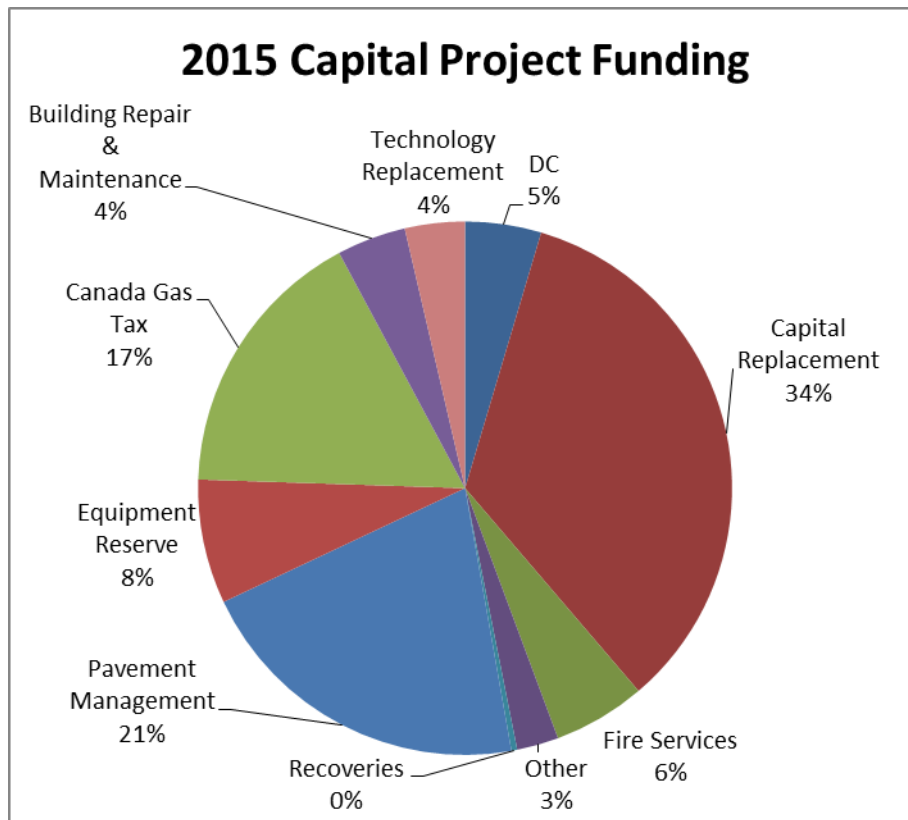
Department	Description	Gross Cost
Infrastructure Services	Pavement Management	2,200,000
Infrastructure Services	Wildwood Rd Oakridges (All Phases)	1,248,000
Infrastructure Services	Equipment Replacement	789,000
Infrastructure Services	Mill St W Acton Cobble-Dublin	572,000
Infrastructure Services	5 SdRD Phase 1- Resurfacing-East 4th Line to 5th Line	350,000
	Total	5,159,000

In approving capital projects, there may be an impact on the operating budget and staff needs to take the financial impact into consideration before the Committee begins its consideration of the operating budget. This is important because some projects, such

as new facilities or software purchases, may have an operating budget impact in the year in which they are undertaken. The total impact on the 2015 operating budget is \$26,500 based on the capital budget as submitted and is outlined in the following chart.

PROJECT	AMOUNT	DESCRIPTION
Infrastructure Services		
Additional Activan Operation Costs	\$ 17,500	Additional operating costs for new bus added to meet AODA legislation requirements. 75% of the \$70,000 total amount is recoverable in 2 years, so that amount will be "borrowed" from the Transportation Reserve until then.
Recreation & Parks		
Additional Ice Rink	\$ 9,000	Labour & materials for an additional natural ice rink under the Multi-Purpose Court project.
TOTAL	\$ 26,500	

There are various funding sources for capital projects. Major sources include the Capital Replacement Reserve, Gas Tax subsidies and Pavement Management Reserve. The proposed 2015 Capital Budget of \$10,593,100 will be funded as per the following funding sources.



Proposed Capital Budget Highlights

Detailed information along with pictures on each project is included in the budget package attached. Some projects that staff want to highlight include:

- Infrastructure Services has numerous roads projects scheduled for 2015. These will assist in maintaining the Town's infrastructure through the Pavement Management Construction program, Gravel Resurfacing and upgrades to Asphalt. Funding is also allocated to specific road construction projects.
- Facility, sports fields, play equipment and trails have been identified in the 2015 budget for repairs/replacement and upgrades.
- Several plans will be updated during 2015
 - Administration and Corporate Services will update the Long Range Financial Plan (LRFP) and the Citizen Service Delivery & Performance Measurement Survey.
 - Recreation will be undertaking the development of an Active Living Strategy, Cemetery Business Plan and a Parkland Acquisition Strategy.
 - Planning, Development & Sustainability will undertake an update of the Glen Williams Secondary Plan and the Zoning By-law.

In 2012 staff updated the Development Charges Background (DC) Study and By-law. The Town will continue to have growth related pressures over the next forecast period as reserve balances are replenished based on timing of development and the recent allocation of water. In late 2014, 900 single detached equivalents (SDE) were released and allocated to the Town. This will assist with pressures on the DC reserves and staff will continue to monitor these reserves closely and adjust project timing if development is delayed.

The proposed 2016 to 2024 Capital Forecast and unfunded list does face significant financial pressures due to low Reserve/Reserve Fund balances and various major capital projects identified in the forecast. Of note, the project listed as "Property Acquisition Facilities" in the amount of \$5,300,000 has been removed from the 2015 Capital Budget and will be dealt with under separate report at a later date.

The Long Range Financial Plan presented to Council in May 2011 outlined a phasing in of contributions to several reserves to assist with the capital pressures. The phasing in of contributions began with the 2012 Operating Budget and the 2015 Capital Budget has identified an update of the Long Range Financial Plan. The update will also take into consideration the 2013 ice storm related costs of approximately \$1.8 million that has been financed through various Town reserves including the Severe Weather Event reserve. To date, the Ministry of Municipal Affairs and Housing has indicated that the Town is eligible for reimbursement of eligible costs. The extent of the reimbursement

has not been indicated as they continue to review our submitted eligible costs, but staff is optimistic that there will be some form of reimbursement. The extent of the reimbursement should be known by the time the LRFP is updated which will also consider what the future target amount should be in the Severe Weather Event Reserve, based on municipal best practices.

Council's Debt Limit Policy

The Long Range Financial Plan outlined key policies adopted by Council as it relates to debt issuance.

1. Future Debt service payments will be made while ensuring the following:
 - a. The provision of essential services is not jeopardized.
 - b. Financial flexibility is maintained by ensuring that there are sufficient revenues to accommodate unanticipated expenditures and revenue fluctuations.
 - c. Outstanding debt obligations will not threaten long-term financial stability.
 - d. The amount of outstanding debt will not place an undue burden on local taxpayers.
2. The Town's debt charges, including debt charges related to DCs, as a percentage of tax levy, will not exceed 10% as considered acceptable by credit rating agencies.

The LRFP estimated that in 2016/17 the Town would be at approximately 11% based on the future debt requirement needs. With the additional costs for the arena and the future issuance of debt for the Operation Centre these cost will add approximately 0.5 to 0.8%. This would take the Town's debt guideline to approximately 12% for 2015 and reduced to below the 10% guideline by 2019.

Halton Hills Citizen Satisfaction and Service Delivery Survey

In 2011, staff conducted the second Halton Hills Citizen Service Delivery and Performance Measurement Survey to measure various aspects of service delivery (CS-2012-0003). In 2015, staff is proposing to undertake the third survey which will include benchmarking the Town against other municipal governments across the country in specific service delivery areas. The survey will use the Common Measurement Tool (CMT) administered by the Institute of Citizen Centered Service (ICCS) similar to what was done in 2011.

The current survey indicated that building and maintenance of roads, and recreation and cultural services were ranked as a priority. Through comprehensive pavement management, the Town continues to establish programs to improve transportation infrastructure of our local road system. The addition of 3 new ice pads, the renewal of the Georgetown Branch Library and Cultural Centre and playing field rehabilitation initiatives assist in ensuring recreation and cultural services needs are addressed.

RELATIONSHIP TO STRATEGIC PLAN:

The proposed Capital Budget and Forecast touches, in one form or another, on most of the strategic directions and objectives contained within the approved Strategic Plan.

FINANCIAL IMPACT:

The proposed 2015 Capital Budget is being recommended at \$10,593,100 and may be revised through the capital budget review process. Although the financial impact in this report is limited to the capital budget, there are additional financial impacts associated with the operating budget based on the approval of capital projects. The 2015 operating impact is \$26,500.

The 2016 to 2024 Capital Forecast and the list of unfunded projects are stated in 2015 dollars and have not been inflated.

COMMUNICATIONS IMPACT:

The Town's budgets are an important tool in determining the service requirements needed and wanted by the community. Public input is important when determining the priorities for the Town. With this in mind, staff advertises the budget meetings in the local papers and on the Town's website. The public is invited to delegate to Budget Committee on January 5, 2015.

Upon approval of the capital budget, staff will prepare bound copies for Council. It will also be posted on the Town website for the public to download, copies can be purchased from the Corporate Services department or viewed at the Acton and Georgetown Public Libraries.

SUSTAINABILITY IMPLICATIONS:

The sustainability implications associated with this report were reviewed against the requirements of the Town's Sustainability Implications Worksheet. Sustainability implications can be found on the detailed project sheets in the budget binder for the 2015 Capital Budget projects.

CONSULTATION:

The preparation of the proposed capital budget included corporate ranking by senior staff from every department. In turn, the departments may have used input from various internal and external individuals/groups in developing their budget proposals.

CONCLUSION:

The 2015 proposed capital budget is being submitted at \$10,593,100 for Budget Committee's consideration. It is a financially challenging capital budget that addresses the Town's most critical infrastructure needs. The proposed 2016-2024 Capital Forecast will continue to put pressure on Town reserve and reserve funds that staff will monitor and develop funding strategies that will optimize resources.

Respectfully submitted,

Wendy O'Donnell, CPA, CGA
Manager of Finance

David Smith
Chief Administrative Officer

Ed DeSousa, CPA, CGA
Director of Corporate Services and
Treasurer

Appendix A - Corporate Allocation Definitions		
Allocation	Category	Definition
99	Pre-Budget Approval	A project that has been approved by Council prior to the budget process that has committed capital funding. These projects do not require ranking and automatically reduce the funds available for the ranking process.
10	Mandated/Legislated	A project that is required by federal or provincial statute, tribunal/court order, legally binding settlement or contract, regional or municipal by-law or regulation, or a project that moves a local government into further compliance with such mandates.
9	Health/Welfare/Safety	A project which eliminates, prevents or reduces a hazard with respect to the health, welfare and safety of the general public and/or Town staff.
8	Maintenance	A project that extends the service life cycle or reliability of an existing asset or service. Includes: <ul style="list-style-type: none"> • implementation of regular preventative maintenance programs or corrective maintenance to beyond that which is normally considered an operating expense • repairs or rehabilitation (general and emergency) • replacement • upgrading
7	Environmental Improvement	A project that contributes to the achievement of a healthier environment. The project establishes a framework, or directly entails one or more the following: <ul style="list-style-type: none"> • the protection, enhancement or restoration of significant natural heritage features and/or related ecological functions and/or water resources • green community infrastructure • energy and water conservation measures or improvements to air quality • development of transportation alternatives • sustainability
6	Strategic Plan	A project that supports the strategic directions, goals and objectives set out in the Town's Strategic Plan and more specifically addresses the implementation of its strategic actions.
5	Alternative Funding (Partnership)	A project that has confirmed funding from a source other than the Town that significantly reduces the Town's contribution to the project. Examples include funding received via partnership or sponsorship agreements, funding granted through government agencies, funding raised through donations, etc. Availability of funds must coincide with the project timeline.
4	Efficiencies	A project that provides economic benefits via reduced costs, improved efficiency or productivity.

3	Growth (DC)	A project that includes a contribution of development charges.
2	Economic Development	A project that directly supports or benefits <ul style="list-style-type: none"> • business attraction, retention & growth • the Town's employment land base • job creation • increased municipal revenues
1	New Service	A project that provides the Town with an additional new capital asset or service.