



## **Staff Report for Budget Committee of the Whole Meeting**

**Date of Meeting:** January 22, 2019

**Report Number:** SRCFS.19.002

**Department:** Corporate and Financial Services

**Division:** Financial Services

**Subject: 2019 Draft Capital Budget and Forecast  
(SRCFS.19.002)**

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### **Purpose:**

To provide Council with a 2019 Draft Capital Budget and Forecast for the Town's capital program reflective of corporate priorities.

### **Recommendation(s):**

- a) That the 2019 Draft Capital budget in the amount of \$43,961,100 as identified in Appendix "A" of SRCFS.19.002 be approved;
- b) That the 2019 Draft Capital Budget recommended funding sources identified in Appendix "D" be approved;
- c) That the Harding/Lennox Park Revitalization and the sediment removal projects as identified in the Projects Contingent on Grant Funding List in Appendix "B" of SRCFS.19.002 be advanced to 2019 if grant funding becomes available;
- d) That the Capital Forecast in the amount of \$978,914,700 as attached to Appendix "G" and "H" of SRCFS.19.002 and the Capital Grant Contingency List as identified in Appendix "B" of SRCFS.19.002 be received;
- e) That the draft By-Law No. 03-19, as attached as Appendix "I" to SRCFS.19.002, be referred to the February 11, 2019 Council meeting for adoption.

### **Contact Person:**

J. Concepcion, Financial Management Advisor, Ext. 2499

G. Li, Manager of Capital and Development Financing, Ext. 6435

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### Report Approval:

**Submitted by:** Mary-Anne Dempster, Commissioner of Corporate and Financial Services

**Approved by:** Neil Garbe, Chief Administrative Officer

All reports are electronically reviewed and/or approved by the Division Director, Treasurer (as required), Town Solicitor (as required), Commissioner, and Chief Administrative Officer. Details of the reports approval are attached.

### Background:

The Corporation's Capital Budget comprises the investment priorities, choices, and decision points that ultimately represent the tangible implementation of the Town's Strategic Plan and Official Plan.

The Town of Richmond Hill, as one of over 5,600 municipalities in Canada and one of over 440 municipalities in Ontario, owns, manages, and maintains its asset portfolio. The assets which are managed on behalf of the Town's Council and Citizens, include a state-of-the-art theatre; award-winning community centres, pools, parks, playgrounds and trails; highly valued libraries and, arenas; critical community connectivity infrastructure of roads, sidewalks, sanitary and storm sewers and water-mains; and assets to support service-delivery capacity such as, fleet, emergency vehicles, safety and security facilities (fire-halls), office and operational spaces, furniture, fixtures, equipment, telephony and information technology systems.

The future direction for Richmond Hill is manifested in the Strategic Plan and the Official Plan, the primary documents that set the foundation to shape and guide the future growth, development and aspirations of the Town. The Strategic Vision of "**Richmond Hill – where people come together to build our community**" is borne out by a Strategic Plan that is action orientated and sets out specific tactics and activities to be undertaken to achieve that vision. The Town's Official Plan provides "direction for growth, balancing change in the Town with protection of what is valued from the past, truly blending the old and the new" while we seek to "**Build a new kind of urban**" supported by community asset investments, partnerships, policies and supporting implementation vehicles. These key directions are further supported by and aligned with Council-approved plans and strategies (for example, transportation, pedestrian and cycling infrastructure, parks and recreation, culture, information technology, etc.) as well as departmental plans for ongoing maintenance, repair, and replacement (for example the asphalt overlay program, and life-cycle management for fixed assets).

The various plans and strategies are in place to support the vision of the Strategic Plan and to ensure that our residents are provided with the infrastructure necessary to support their choice to live, work and play in our community.

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The development of capital projects is further informed by professional studies, approved programs (such as the road reconstruction priority rating system), development charge commitments, programs of other levels of government (including the Region), and most certainly by emerging Council priorities.

This background provides context to the development of the Capital Budget which serves to turn vision into reality through action. The overall capital plan was developed to align with the documents that support the Town's vision. It prioritizes new capital to support growth due to development and life-cycle repair and replacement of existing assets to ensure reliability, performance, and system safety.

### **Capital Budget**

The 2019 Capital Budget requests the approval of the most imminent projects followed by projects anticipated in the 2020 to 2028 Capital Forecast. In doing so, this provides a greater degree of certainty on projects that are within the first three to four years. The current process for the delivery of capital projects follows a strict format that looks at feasibility studies; Environmental Assessment studies (EAs), master plans, preliminary design, detailed design, and construction.

The delivery of any project may vary depending on its complexity, size, and staff resources. Once a project is adopted through Council's endorsement of the yearly capital plan, it will typically be completed in two years unless further studies are required. The first year is dedicated to the necessary background work including design. The second and subsequent years will be devoted to tender preparation and award, followed by construction, or asset development/purchase.

Resources required to carry out the majority of the Town's capital program predominately reside with the department of Environment and Infrastructure Services (EIS), however, other departments provide support. Financial Services is a strong partner in the delivery of capital projects with respect to procurement of supporting services, the development of the corporate budgets and financial controls.

Community Services, Public Works provides background on infrastructure condition so that programs may be maintained. End users such as Recreation & Culture Services, Fire & Emergency Services and the Richmond Hill Public Library Board provide guidance and direction on building logistics and form. Planning and Regulatory Services provides the future-oriented framework that guides assets required to support development.

The annual capital investment we make in the Town is important and necessary to continue to provide the services and programs that a growing community needs, now and in the future. Doing so is part of the Town's commitment to providing exceptional public service to the community.

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Investments such as those in this budget will help achieve the Strategic Plan's vision of "where people come together to build our community". The capital investments made through this budget and in future projected budgets move the Town closer to realizing the Plan's four goals of stronger connections, better choices, more vibrant and wise management of resources.

Through the implementation of the Strategic Plan, key Town plans have been prepared that have further refined the community's needs: the Official Plan, Transportation Master Plan, Cultural Plan, Recreation Plan, People Plan, Environment Strategy, Parks Plan, Valleyland Restoration Plan and the David Dunlap Observatory Master Plan.

These plans, built on community engagement, justify the need to invest in specific areas and projects to support the Strategic Vision outlined in the Strategic Plan, such as: the parks and trails that provide stronger connections; the bike lanes that provide better choices; the community centres and arenas that contribute to vibrancy; and, the wise management of resources that results from the ongoing maintenance and rehabilitation of our facilities. Capital investments made by the Town provide the infrastructure necessary to help plans become a reality and support the facilities and services that the community has identified as priority.

In 2016, the Town developed its first overarching Asset Management Plan (AMP) that outlines strategies to maintain Town assets in a state of good repair now and into the future. The AMP is currently in its infancy stage and evolving to meet the prescribed Provincial requirements, when fully developed the AMP will inform the capital budget as it relates to funding requirements for growth, renewal and replacement of assets. As with many other municipalities, the Town faces an "infrastructure funding gap", where available funding falls short of projected needs to ensure the long-term sustainability of assets. Council has approved a number of strategies to address this gap, such as the Capital Asset Sustainability Strategy discussed in more detail later in the report. The capital budget, with the support of strategies outlined in the AMP aims to fund the infrastructure and services called for in the Town's key plans as a step towards implementing the Town's vision.

The capital budget approval is just one part of the overall capital process. This process demonstrates how the community, Council and staff are working together to ensure we are building a community that aligns with the future vision.

The capital investment collaboration cycle forms a solid foundation of policies and processes within the Town that supports the delivery of capital projects. Development of Plans serves as the initial phase of the capital investment cycle. Projects are considered and become part of the Ten-Year capital forecast to support and complement the Council approved plans. Grants and other types of funding opportunities are explored to fund the projects. The procurement process on the other hand, ensures a fair and transparent acquisition of services for the design and construction of the projects. Facilities are programmed, and parks and roads are constructed, to meet the community's needs.

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Regular maintenance and upgrades to infrastructure and facilities ensures a state of good repair.

Feedback from community stakeholders validates that our community appreciates the infrastructure we provide them. The Town is recognized outside of the community as a municipal leader as our projects have been recognized for excellence in design, innovation and service to the environment. To name a few, the Environment and Infrastructure Services Division has received the following awards: Technical Innovation Award for Pioneer Pond (OPWA), Project of the Year Award (Environment Category) for the Elgin Mills Greenway (OPWA), the Parks and Recreation Ontario and Landscape Ontario Awards of Excellence, Living City Energy Efficiency Leadership (Gold) Award and the Tree Canada Public Education Award.

### Capital Forecast

In conjunction with the Capital Budget, staff also present a Capital Forecast. This exercise is undertaken with the following objectives:

- a) Provides a Capital Forecast that considers corporate priorities that align with the Town's Strategic Plan and various capital and service plans.
- b) Exists as a "living plan" that allows for updating and reprioritizing as opportunities arise.
- c) Identifies to Council any significant future projects that potentially could be added to the forecast but could not be quantified at the time.
- d) Identifies potential challenges in future operating and capital budgets based on the Capital Forecast.
- e) Manage approach to extend the life of the reserves and reserve funds.

The Capital Forecast is used to develop long term place-holders for various capital works and asset investments. It involves updating assumptions used in prior year's forecast, with a stronger focus on the first three to four years. The Forecast is dynamic in that it will adapt and change as priorities change, as projects are developed and implemented and new ones are added. The Capital Forecast is a reflection of the Strategic Plan and the Official Plan, but is also informed from the recently adopted and modified Civic Precinct Project, Recreation Plan, Cultural Plan, Parks Plan, People Plan, Transportation Master Plan, Library Facilities Master Plan, Environmental Strategy, Asset Management Plan and approved Council motions.

The Capital Forecast is comprised of the investments contemplated for existing assets and growth assets. The existing asset forecasts are for major repairs or rehabilitation to extend the life or replacement of an asset at the end of its useful life. It does not include land, significant upgrade of capacity, nor routine maintenance for state of good repair. The Growth asset forecasts are to accommodate future growth and include the construction of recreational facilities, fire halls, libraries, road widening and expansion of existing facilities.

The capital cost of building infrastructure can include materials, labour and other costs required to bring the asset into working condition. It is important to identify all such expenditures, both

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from a capital planning perspective and a funding resource allocation perspective. As in the prior year's Capital Forecast, the Civic Precinct has been reported based on an indexed cash-flow methodology to highlight to Council the full order of magnitude of the project. The amount included in the Capital Forecast for the Civic Precinct serves as a placeholder based on the civic building being located on the project site located at Yonge Street and Major Mackenzie Drive. Given Council's decision on June 26<sup>th</sup>, 2018 to remove the Civic Building from the project site, the placeholder will remain until the eventual scope, costs and elements of the project are determined. Inclusion of an annual inflationary factor will produce a capital budget and forecast that is more reflective of anticipated actual costs. Staff will consider the escalation of all capital projects and various funding options available to fulfill the escalating obligations while managing long term financial sustainability going forward.

As part of capital project delivery, there is a considerable amount of time and effort expended by staff to develop, design and deliver the capital projects requested. These costs may be direct in nature, such as the project managers' labour costs overseeing the capital projects they are responsible for. They can also be indirect in nature, from the administration staff such as commissioners, directors and finance in supporting the project manager to review and approve business cases, setting up purchase orders and assisting in capital invoice payment. The allocation of salaries and overhead costs to the capital projects will reflect the effort expended by staff and properly allocate operating and capital costs of all capital projects. This practice is consistent with other municipalities.

The Capital Budget and Forecast cycle is presented to Budget Committee of the Whole (BCW) to provide an opportunity for Council to review, seek clarification, and provide feedback to staff prior to delivery to the Council meeting adoption. The 2019 Draft Capital Budget will be presented at the January 22 Budget Committee of the Whole meeting along with a follow up meeting on January 29 (if required). Council adoption of the Capital Budget and Forecast is anticipated on February 11, 2019.

Continuing with fiscal responsibility and restraint, staff undertook a detailed review of last year's forecast and proposed amendments to a number of projects. A listing of the significant changes was provided under the "Notes" tab of the 2019 Draft Capital Budget and Forecast Binder, distributed on December 21, 2019.

### **Grant Funded Capital Approach:**

Numerous financial grants and funding sources are available to municipalities, creating the opportunity for Richmond Hill to invest in our community while lessening the load on property tax. Through grant funding, Richmond Hill has been able to accelerate infrastructure renewal and finance innovative projects which might not otherwise have been possible due to financial constraints. The ongoing success of Richmond Hill's grant applications is linked to the creation of a grant strategy and the alignment of that strategy with the Town's capital plan and other strategic priorities.

From 2008 to 2017, Richmond Hill received \$37.1 million in grant funding which facilitated investment in Richmond Hill's infrastructure and other innovative initiatives. This grant funding advanced projects and contributed to over \$71 million of total project value. Looking forward,

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long term infrastructure funding commitments by both the Federal and Provincial governments mean that this level of grant funding to Richmond Hill will continue over the next ten years and likely increase.

Richmond Hill can expect to see grant funding opportunities in three main program areas:

- 1) Stormwater management
- 2) Buildings
- 3) Parks and trails

A key condition of Federal grant funded projects has been that they must be incremental. Incremental grant funded projects must be new projects which are not approved or funded in the current capital budget. When grant funding is received for incremental projects, it disrupts work on the Town's approved priorities as there is typically a short time-frame to deliver both the design and construction of the new projects. Overall, staff are challenged and it is becoming more difficult to advance incremental grant funded capital projects while delivering on our regular capital program.

In 2017, staff recommended moving forward in 2018 and beyond with the annual managed capital repair & replacement program plus a \$3 million contingency list of incremental projects that are designed in advance of the current year's program suitable for grant funding opportunities. This requires flexibility in the types of projects identified on the contingency list to be able to respond to the specific conditions of different grants, which are usually not known in advance. The list of contingency projects is evaluated annually as part of the process to ensure that projects most likely to attract grant funding are being proposed.

If the contingency projects are able to attract grant funding in the year in which they are proposed then they will be added to the capital program and commence. If contingency projects do not receive grant funding in the year in which they are proposed they will remain in the regular repair & replacement capital program based on the timing in the Capital Forecast.

Council approved additional staff resources in 2018 to deliver the incremental grant funded capital program. These dedicated staff resources will focus on getting capital projects "shelf-ready" in the three main program areas in anticipation of grant funding announcements so the Town may respond in a timely manner and successfully obtain grant funding.

Much of the staff efforts in 2018 had been to develop the framework for the delivery of the incremental grant funded capital program. These included identifying the capital projects, coordinating and bringing forward the timing of the Environmental Assessments and Design phases to have the Construction phase of these projects lined up and ready for advancement should grant funding become available.

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The Harding/Lennox Park Revitalization project, currently slated for construction in 2020 along with the sediment removal projects identified in the Projects Contingent on Grant Funding List will be advanced to 2019 should grant funding become available.

### **Financial/Staffing/Other Implications:**

This staff report summarizes the detailed information provided in the 2019 Draft Capital Budget and Forecast Binder, distributed on December 21, 2018. The information is also available electronically on the Town's website.

### **Funding Sources**

Reserves and Reserve Funds play a very important role in the Town's finances and provide a strong indicator of the Town's overall financial health. They are established and approved by by-laws or through Provincial legislation to provide funding flexibility, mitigate risk, operations uncertainty, and to ensure long term financial stability of the Town.

The general funding sources for the Town's Capital Budget and Capital Forecast are: tax supported reserve funds, rate supported reserve funds, development charges, cash in lieu of parkland, federal gas tax, other internal funding sources and external funding sources. Through taxation, the primary tax supported funding sources are Repair & Replacement Reserve Funds and the Cash to Capital Reserve Fund. Rate supported reserve funds provide funding for water, wastewater and stormwater related infrastructure. From the development process, both Town-wide and Area Specific Development Charges are collected during the agreement and building permit issuance stages. Cash-in-Lieu of Parkland funds are collected specifically for parkland and recreation related capital. Federal Gas Tax is an annual allocation available to municipalities including Richmond Hill based on a per capita formula. Other internal funding sources include reserves and Hydro reserve funds. While the external funding sources include 3<sup>rd</sup> party recoveries and local improvements.

### **2019 Capital Budget**

A total 2019 capital budget requirement for the Town is \$60,899,400. On December 11, 2018, Council approved the Capital Expenditure for capital projects identified as time sensitive in SREIS.18.012 to ensure a seamless delivery of the Town's capital program in the amount of \$16,938,300 (\$15,757,700 capital projects & \$1,180,600 includes the allocation of salary and overhead costs related to capital project delivery). The early approval of these capital projects was necessary to help the Town maintain the existing capital delivery schedule and the construction projects will attract competitive pricing from contractors who are looking to secure their first projects early in the year.

The remaining proposed 2019 Capital Budget (Appendix "A") is \$43,961,100. Projects Contingent on Grant Funding are outlined in Appendix "B", and the Significant projects are outlined in Appendix "C", and the recommended funding sources are in Appendix "D" and "E".

The 2019 Capital Budget consists of projects that the departments plan to study, design, build, or tender within the next 12 months or a longer construction period depending on the complexity of the project. The completion of the 2019 capital program will result in net new additions to the



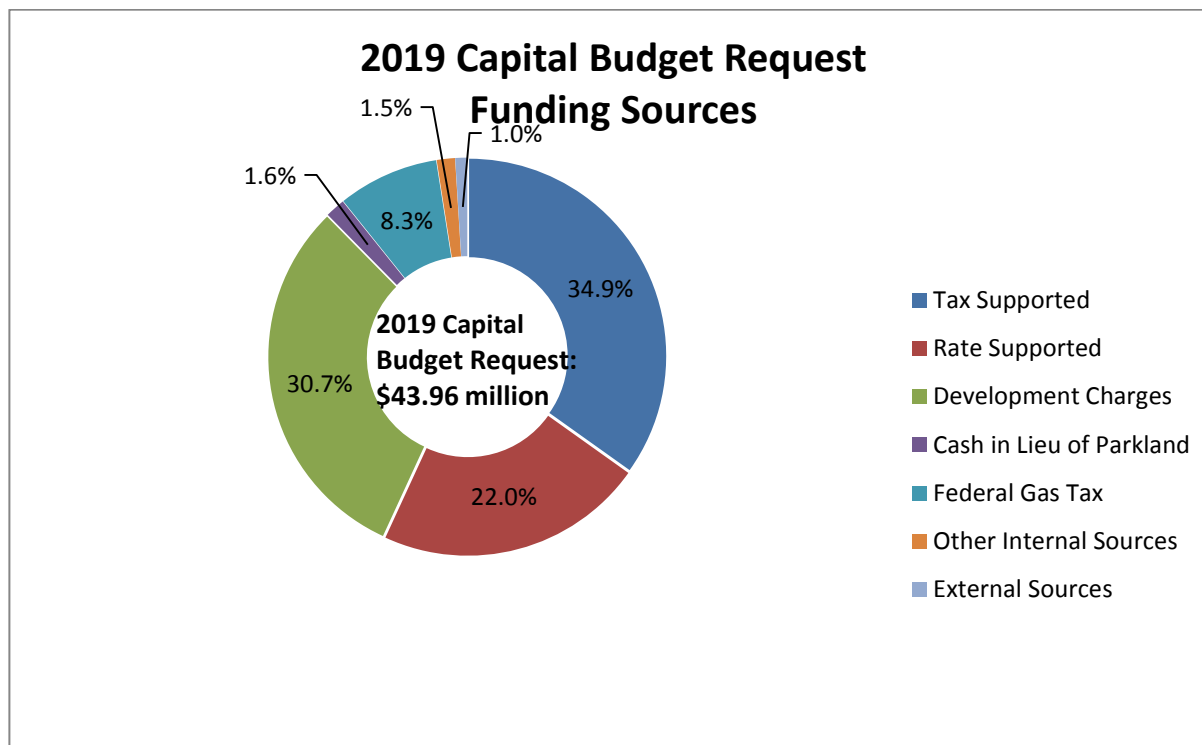
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Town's capital infrastructure and will have future operating budget impacts to maintain them. Included are long-term operating budget pressures as a result of ongoing maintenance and operating costs associated with the new infrastructure to be constructed or acquired by the municipality.

The list below identifies amounts of added infrastructure from the 2019 Capital Budget which will have an operating impact:

1. Roads (226 metres)
2. Sidewalk (165 metres)
3. Streetlights/Illumination (1,046 metres of road)
4. Watermain (226 metres)
5. Harris Beech Park (0.70 Ha)
6. Lake to Lake Multi Use Path – Major Mackenzie to Elgin Mills
7. IT Foundational Projects (Hardware Lifecycle Management & York Region Telecom)

Funding sources for the 2019 Capital Budget Request are shown in the graph below.



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### 2020 – 2028 Capital Forecast

Significant projects for the years are outlined in Appendix “F”.

#### Capital Forecast (2020-2028) Impact on Reserve Funds

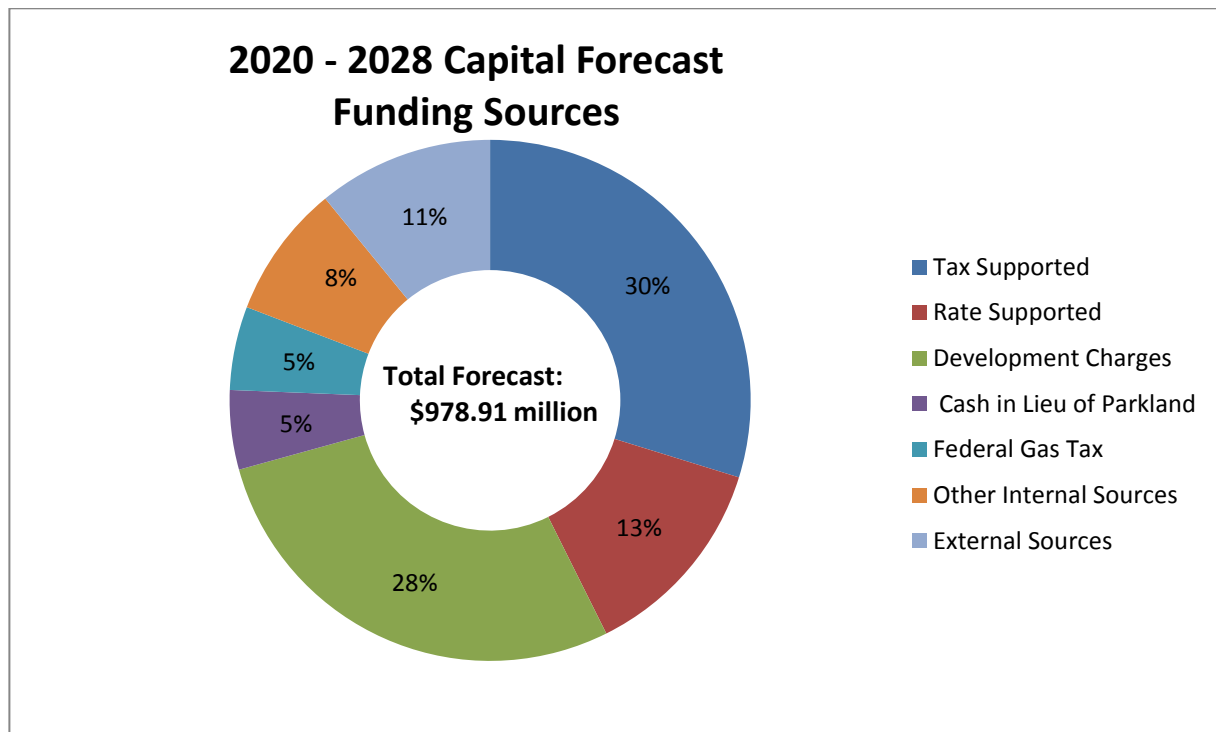
The proposed Capital Forecast is a robust financial projection of the Town’s upcoming capital expenditures, incorporating the Town’s Recreation Plan, Cultural Plan, Parks Plan, People Plan, Transportation Master Plan, Library Facilities Master Plan, Environmental Strategy, Civic Precinct (placeholder) and Asset Management Plan resulting in competing priorities and continued financial pressures on the Town’s capital related reserve funds.

The summarized Capital Forecast is presented in Appendix “G” (Existing Assets), and Appendix “H” (Growth and New Assets). The detailed forecast is outlined in the 2019 Draft Capital Budget and Forecast Binder. The following table highlights the proposed 2020 to 2028 Capital Forecast totaling \$978.9 million by major funding categories:

Funding Sources	2020	2021	2022	2023-2028	2020-2028
	Forecast	Forecast	Forecast	Forecast	Total Forecast
Tax Supported	33.7	23.0	25.0	209.8	291.5
Rate Supported	13.0	16.4	20.9	80.9	131.2
Development Charges	21.8	17.0	28.4	207.2	274.4
Cash in Lieu of Parkland	3.3	5.0	3.0	36.9	48.2
Federal Gas Tax	4.9	5.0	5.0	35.9	50.8
Other Internal Sources	0.7	2.3	0.4	77.7	81.0
External Sources	1.4	0.3	0.7	99.4	101.8
<b>Total (millions)</b>	<b>\$ 78.7</b>	<b>\$ 69.0</b>	<b>\$ 83.4</b>	<b>\$ 747.8</b>	<b>\$ 978.9</b>

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Funding sources for the 2020 to 2028 Capital Forecast are illustrated in the graph below.



While the 2019 Capital Budget and Forecast represents a ten-year outlook of various capital works and asset investments that considers corporate priorities that align with the Town's approved Plans. Staff have prepared a 15-year funding analysis to better manage and forecast the impact to the reserve funds and long term financial sustainability going forward.

The following table summarizes the projected year-end balances of the capital related reserve funds, it also highlights the balances of these reserve funds declining significantly over time. An alternative funding framework and ongoing management of the tax supported reserve funds along with other capital related reserve funds need to be in place to maintain long term financial sustainability.

Funding	2018	2019	2020	2028	2033
	Projected Year End Balance	Projected Year End Balance	Projected Year End Balance	Projected Year End Balance	Projected Year End Balance
Tax Supported	50.2	42.2	24.2	(83.2)	(117.2)
Rate Supported	51.7	48.3	46.8	42.9	93.5
Development Charges	41.4	45.1	41.9	(60.2)	(39.8)
Cash in Lieu of Parkland	33.7	35.4	35.1	13.6	8.3
Federal Gas Tax	(0.9)	0.1	0.6	0.7	0.8
Other Internal Sources	68.9	68.6	70.4	10.5	11.8
<b>Total (millions)</b>	<b>\$ 245.0</b>	<b>\$ 239.7</b>	<b>\$ 219.0</b>	<b>\$ (75.7)</b>	<b>\$ (42.6)</b>

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The various initiatives identified in the 2020 to 2028 Capital Forecast significantly impact the life of the Town's capital related reserve funds, specifically in the following areas:

### **Tax Supported Capital Reserve Funds**

Council adopted the Capital Asset Sustainability Strategy (SRCFS.15.051), which was intended to gradually move the Town towards a "Pay As You Go" capital approach. This approach would have allowed for the accumulation of revenues to support the repair and replacement of capital assets based on prioritized needs as outlined in the Town's Asset Management Plan. The optimal contribution target would be equal to the anticipated cost of the repair and replacement program. It also provides for a source of revenue contributing into the reserve funds and preserving them to achieve fiscal sustainability as part of the Long Term Financial Plan.

Subsequently, the Capital Asset Sustainability (CAS) Fee was approved in 2016, this fee would increase annually until 2025 to reach \$18 million in annual contributions, the target set for the "Pay As You Go" Capital philosophy. At that time, staff also provided Council with a financial analysis scenario to show that if a corporate target to reduce the annual average capital expenditures from \$23 million to \$18 million was implemented, "Pay As You Go" would be achieved by 2025.

Since then, new capital needs have been identified and the notional capping of tax supported capital expenditures of \$18 million is unrealistic and unattainable based on the Town's current service levels. The Capital Asset Sustainability Strategy must be achieve financial sustainability. Although the average annual expenditures in the Capital Forecast are in excess of the available annual funding, the continuation of the CAS Fee contribution extends the life of these reserve funds.

The strategy for effectively managing the funding of tax supported assets includes an increase in contribution as mentioned above, coupled with an ongoing review of the annual capital plan by prioritizing projects. As such, a funding envelope approach was established in the 2019 Capital Budget and Forecast for 2019 to 2023, capping the tax supported capital expenditures at approximately \$25 million per year. In doing so, the tax supported reserve funds are anticipated to expire in 2023.

In 2019, staff will develop a new Capital Asset Sustainability Strategy that will involve a debt financing approach along with maintaining target minimum reserve fund levels, and report back to Council on the available options. This sustainability strategy will need to be informed by a service level review endorsed by Council. It is imperative that staff have a Council endorsed approach to the long term financing strategy prior to commencement of the 2020 capital program to ensure that the financial shortfall is addressed prior to exhausting the reserve dedicated to supporting the program.

### **Development Charges Reserve Funds**

Development Charges are the second largest funding source of the Town's forecasted capital projects, provided for through the development process and used to fund the growth-related capital cost of infrastructure to accommodate new development within the Town. The 2019

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Capital Budget and Forecast identifies \$365.6 million or 27% of Development Charges will fund capital projects over the next 15 year timeframe including the proposed new indoor recreation facilities, growth related parks, library expansions and town-wide engineering projects. Due to the timing of projects in advance of build out and collection of development charges, the full amount of these growth related projects cannot be recovered in the Ten-Year development charges funding envelope, leading to these reserve funds being in a temporary deficit until growth revenues are realized. Debt financing may be considered to fund these capital projects in the interim, until development charge revenues are collected.

### **Federal Gas Tax Reserve Fund**

Federal Gas Tax provides funding for infrastructure that achieves positive environmental results. Eligible projects are infrastructure projects that contribute to clean water, cleaner air, reduce gas emission. Recent changes have expanded eligible projects to all municipal infrastructure, an opportunity for greater funding of the Town's strategic capital projects. The 2019 Capital Budget and Forecast anticipates that these funds will be used mainly to finance energy conservation projects, facility components end of life repairs and replacements, and road reconstruction projects in light of the financial pressures in the tax supported reserve funds.

The current capital forecast projects that the Federal Gas Tax Reserve Fund will be fully allocated to eligible capital projects over the next 15 years until 2033.

### **Water Quality Protection Reserve Fund**

The Water Quality Protection Reserve Fund is primarily used for the funding of stormwater management initiatives (i.e. sediment removal, stormwater management facilities rehabilitations as well as valleyland restoration) to protect Town infrastructure. This reserve fund also provides for partial funding (35%) of the Flood Remediation requirements around the Yonge Street & Elgin Mills Road area. As identified in the 2019 Capital Budget and Forecast, the projected contribution of \$49.6 million will not be sufficient to cover the forecasted expenditures of \$88.3 million resulting in the reserve fund being depleted by 2020, and a significant deficit of \$31.5 million by 2033.

Since the implementation of the Stormwater Management Rate in 2013, several assumptions have changed. An Activity Based Costing (ABC) exercise was undertaken in 2017 to examine all expenditures contributing to the delivery of stormwater related services. It identified a significant shortfall in funding for both operating and capital activities as a result of the impact of the full cost recovery alignment of resource efforts to stormwater activities, contribution to asset lifecycle replacements and new capital infrastructure projects. In 2019, staff in Financial Services and Environmental and Infrastructure Services will continue the collaborative review based on land use considering impervious area of all properties to determine a more equitable rate structure and will be proposing the results to Council to ensure future infrastructure needs and long term financial requirements are being met.

Maintaining sufficient balances in reserves and reserve funds is a critical component of a municipality's long-term financial plan as it strengthens its long-term financial sustainability, helps to minimize fluctuations in the tax rate and provides funding to sustain infrastructure. The

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current Long Term Funding Plan is designed to keep the Town financially stable and sustainable, while allowing the flexibility to consider the prudent issuance of debt as an alternate use of available funding sources for major infrastructure capital projects.

Staff will continue to explore other possible funding opportunities besides reserves and reserve funds including third party funding recovery, partnership opportunities and grants and develop a Long Term Financial Plan.

### **Operating Budget Impact:**

Capital projects being approved will have cumulative and additional pressures on the upcoming 2019 Operating Budget. Costs will include personnel expenditures and operating and maintenance of new infrastructure. A three year Operating Impact as requested by Council can be found under the “Overview” tab in the 2019 Draft Capital Budget and Forecast Binder.

### **Relationship to the Strategic Plan:**

The Town of Richmond Hill’s vision of the future, *“Richmond Hill, where people come together to build our community”* also refers to the importance of good capital infrastructure planning and management, and supported by all facets of the four goals:

1. Stronger Connections in Richmond Hill – bringing the community together through the Pedestrian Cycling Master Plan implementation which facilitates, connecting sidewalks, trails, parks, and roads.
2. Better Choice in Richmond Hill – offering a wide range of services available to the community such as online program registration and payments, theme parks, and well maintained community centres.
3. A More Vibrant Richmond Hill – availability of cultural facilities such as the theatre, libraries, and venues for hosting outdoor events.

Wise Management of Resources in Richmond Hill – through promoting the use of sustainable materials and ecologically sound methods, and constructing new facilities built to LEED silver standards

### **Conclusion:**

A Richmond Hill’s Capital Program provides for new infrastructure that is reflective of a growing population and balancing the rehabilitation and replacement of existing assets. In recognizing these challenges and being responsive, a 2019 Draft Capital Budget and Forecast is presented for review and approval.

Richmond Hill’s infrastructure assets are in good condition relative to many other Ontario and Canadian municipalities. The condition of our assets and the ability to provide new services is a result of responsible capital asset management programs that are supported by Council and the community.

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### Attachments:

The following attached documents may include scanned images of appendixes, maps and photographs. If you require an alternative format please call contact person listed in this document.

Appendix A: 2019 Draft Capital Budget  
Appendix B: Projects Contingent on Grant Funding  
Appendix C: 2019 Significant Projects  
Appendix D: 2019 Draft Capital Budget Funding Sources  
Appendix E: 2019 Federal Gas Tax Reserve Fund Capital Projects  
Appendix F: 2020 – 2028 Significant Projects  
Appendix G: Capital Forecast – Existing Assets  
Appendix H: Capital Forecast – Growth and New Assets  
Appendix I: By-Law No. 03-19 to Adopt the 2019 Capital Budget

### Report Approval Details

Document Title:	SRCFS.19.002 2019 Draft Capital Budget and Forecast.docx
Attachments:	<ul style="list-style-type: none"><li>- SRCFS.19.002 Appendix A - 2019 Draft Capital Budget.pdf</li><li>- SRCFS.19.002 Appendix B - Projects Contingent on Grant Funding.pdf</li><li>- SRCFS.19.002 Appendix C - 2019 Significant Projects.pdf</li><li>- SRCFS.19.002 Appendix D - 2019 Draft Capital Budget Funding Sources.pdf</li><li>- SRCFS.19.002 Appendix E - 2019 Federal Gas Tax Reserve Fund Capital Projects.pdf</li><li>- SRCFS.19.002 Appendix F - 2020 - 2028 Significant Projects.pdf</li><li>- SRCFS.19.002 Appendix G Capital Forecast - Existing Assets.pdf</li><li>- SRCFS.19.002 Appendix H - Capital Forecast - Growth and New Assets.pdf</li><li>- SRCFS.19.002 Appendix I Draft By-law No. 03-19.docx</li></ul>
Final Approval Date:	Jan 16, 2019

This report and all of its attachments were approved and signed as outlined below:

**David Dexter - Jan 16, 2019 - 2:23 PM**

**MaryAnne Dempster - Jan 16, 2019 - 3:00 PM**

**Neil Garbe - Jan 16, 2019 - 3:13 PM**